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BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

COMPLETED

Improved Administration Of Federal Public Disaster Assistance Can Reduce Costs And Increase Effectiveness

The Federal Emergency Management Agency provided over $700 million in public disaster assistance to State and local governments in fiscal years 1979 through 1981 to help them recover from major disasters. Public disaster assistance is intended to *supplement* resources available to State and local governments to respond to major disasters. GAO found that the Agency reimburses State and local governments for certain expenditures, such as costs for using their own employees and equipment, in disaster recovery activities. GAO believes that these costs should not be passed on to the Federal Government because they would have been incurred in any case. GAO also found that overall the public disaster assistance delivery system is cumbersome, resulting in inconsistencies in funding and dissatisfaction among State and local governments.

As a means of reducing Federal public disaster assistance costs, GAO recommends that the Congress amend the Disaster Relief Act of 1974 and that the Agency revise its regulations to require State and local governments to assume those disaster relief obligations which they are capable of paying. GAO also recommends that the Agency implement and test a streamlined system for providing public disaster assistance to State and local governments.

GAO/CED-82-98
JULY 23, 1982

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

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To the President of the Senate and the
Speaker of the House of Representatives

This report describes how improved administration of disaster assistance to State and local governments can reduce Federal costs and increase program effectiveness. It recommends that the Congress amend the Disaster Relief Act of 1974 to reduce Federal Government costs. It also recommends that the Federal Emergency Management Agency take action to improve its administration of public disaster assistance.

This review addresses concerns arising from our previous reviews regarding the consistency and effectiveness with which the Agency was administering public disaster assistance.

We are sending copies of this report to the Director, Office of Management and Budget; the Director, Federal Emergency Management Agency; and interested congressional committees, subcommittees, and individual Members of Congress.

Charles A. Bowsher

Comptroller General
of the United States

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

IMPROVED ADMINISTRATION OF FEDERAL PUBLIC DISASTER ASSISTANCE CAN REDUCE COSTS AND INCREASE EFFECTIVENESS

D I G E S T

The Federal Emergency Management Agency provided over $700 million in public disaster assistance from 1979 through 1981. The Agency could reduce public disaster assistance costs if State and local governments were not reimbursed for certain expenditures which they had the capability of providing for themselves. The Agency's delivery system for providing public disaster assistance to State and local governments resulted in inconsistencies in funding and a feeling of dissatisfaction with the Agency.

GAO's review is based on the Agency's administration of about $275 million in public disaster assistance following three major disasters--Hurricane Frederic in Mississippi and Alabama (September 1979), flooding and mudslides in California (February 1980), and high winds and tornadoes in Wisconsin (July 1980). This assistance includes reimbursements for costs of activities such as debris removal; emergency protective measures; and repair or replacement of roads, bridges, and other public facilities. (See p. 2.)

GAO made this review to determine whether the Agency was consistently and effectively providing public disaster assistance to State and local governments. GAO did not review Federal assistance provided directly to individuals since individual assistance was the subject of a January 1981 report. (See p. 4.)

OPPORTUNITIES AVAILABLE FOR REDUCING FEDERAL COST OF DISASTER ASSISTANCE

Under the Disaster Relief Act of 1974, public disaster assistance is intended to supplement resources available to State and local governments following major disasters. GAO found that the Agency provided public disaster assistance to State and local governments for certain expenditures which they had the capability of providing for themselves. Specifically,

Tear Sheet

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State and local government applicants were reimbursed for

--salaries of State and local government employees who were temporarily reassigned from their day-to-day jobs to assist in disaster relief efforts (see p. 8),

--State and local government equipment temporarily diverted to disaster relief work (see p. 8), and

--repair or reconstruction of uninsured public buildings and facilities (see p. 10).

GAO believes that reimbursing these types of costs is not consistent with the intent of supplemental assistance. GAO is recommending that the Congress amend the Disaster Relief Act of 1974 and that the Federal Emergency Management Agency revise its regulations to require that State and local governments assume those disaster relief obligations which they are capable of paying. (See pp. 12 and 13.)

BETTER ADVANCE PREPARATION NEEDED FOR PROVIDING PUBLIC DISASTER ASSISTANCE

GAO found that State and local governments were not treated consistently in determining what expenses were eligible for reimbursement. Further, State and local governments have expressed dissatisfaction about many aspects of the way disaster assistance is provided. In large measure, these conditions are the result of problems inherent in the current system for providing public disaster assistance. The Agency relies on temporary staff as on-site inspectors to augment regional staff under the stressful conditions following a disaster. Some of these personnel did not have sufficient knowledge of and experience with cost reimbursement criteria, but made many immediate and very subjective judgments regarding complicated cost eligibility situations. Many cost eligibility decisions were subsequently reversed, creating dissatisfaction at the State and local level. (See pp. 16 to 24.)

Piecemeal changes geared toward improving the Agency's delivery system would be difficult, expensive, and probably counterproductive.

Fundamental changes are called for. The Agency has submitted legislation to the Congress which if enacted would simplify the procedures on projects of $25,000 or less. GAO believes that a streamlined system is needed to accomplish the objective of public disaster assistance while permitting State and local applicants to exercise substantially more discretion in establishing priorities and allocating funds to alleviate disaster-related State and local problems. (See pp. 24 and 25.)

GAO is recommending that the Agency seek passage of the legislative proposal before the Congress to simplify the procedures on projects of $25,000 or less as an interim step toward a total lump sum grant system. GAO is also recommending that the Agency work with State and local officials to minimize problems associated with estimating project costs, revise its rules and regulations accordingly, and develop an education and training program to better prepare participants engaged in disaster response and recovery activities. (See pp. 26 and 27.)

UNRESOLVED HAZARD MITIGATION ISSUE

The Agency's attempts to encourage State and local governments to plan and implement hazard mitigation measures to reduce the probability of adverse impacts of a major disaster have had limited success. An unresolved issue is whether the cost of implementing recommended hazard mitigation measures should be a Federal, State, or local government responsibility. As part of the Agency's responsibilities in emergency management, GAO is recommending that the Agency take the lead in resolving this issue. (See pp. 28 to 32.)

AGENCY COMMENTS

The Director of the Federal Emergency Management Agency acknowledged that certain problems identified in this report do exist, and he welcomed GAO's analyses and recommendations. He said they will help to improve program management. (See app. III.)

The Agency disagreed with GAO's proposal not to reimburse State and local governments for regular employees' salary and costs of owned equipment used for disaster recovery. The

Director also believes that compliance with GAO's proposal would put the Agency in violation of Office of Management and Budget Circular A-87, which relates to reimbursement of grant costs.

GAO believes that State and local government salary and equipment costs should not be transferred to the Federal Government for reimbursement. State and local governments should receive full credit for these costs toward satisfying their sharing requirement and be reimbursed only for incremental costs, such as overtime costs associated directly with disaster recovery work. GAO's recommendation would enable the Agency to better meet the intent of the 1974 act to supplement State and local disaster recovery efforts.

GAO also disagrees that its proposal would cause a violation of Circular A-87. Under this circular, agencies have the discretion to determine what costs should be allowed for a grant program. Circular A-87 does not require an agency to reimburse all State and local government costs. The Director's comments and GAO's evaluations are also contained on pages 12, 14, 27, and 32.

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ABBREVIATIONS

DSR	Damage survey report
FEMA	Federal Emergency Management Agency
GAO	General Accounting Office
OMB	Office of Management and Budget

CHAPTER 1

INTRODUCTION

The first comprehensive Federal disaster relief legislation was the Disaster Act of 1950. Although this act provided assistance mainly for the temporary repair of local governments' public facilities, it was the first step in formulating a coordinated Federal response to disasters. Subsequent laws extended Federal assistance to include individuals, businesses, farmers, and State governments and broadened the extent of coverage to include such items as permanent repairs to public facilities. The most recent legislation, the Disaster Relief Act of 1974 (Public Law 93-288), concentrated the power to direct and supervise most Federal disaster assistance in the Office of the President. Under its provisions, a wide range of grants and direct Federal assistance was authorized with the expressed intention that such assistance supplement the primary efforts of the States, their political subdivisions, private relief organizations, and citizens. This report concerns only public disaster assistance provided to State and local governments under the 1974 act; it does not include Federal assistance directly to individuals, which was the subject of our January 1981 report. 1/

PROCESS FOR OBTAINING PUBLIC DISASTER ASSISTANCE

When a Governor believes that supplemental Federal assistance is necessary because of some catastrophic event, a request to the President can be made to declare a "major disaster" so that the affected area can become eligible for public disaster assistance under the provisions of the Disaster Relief Act of 1974. The act defines "major disaster" as any

> "* * * hurricane, tornado, storm, flood, high water, wind-driven water, tidal wave, tsunami, earthquake, volcanic eruption, landslide, mudslide, snowstorm, drought, fire, explosion, or other catastrophe in any part of the United States which, in the determination of the President, causes damage of sufficient severity and magnitude to warrant major disaster assistance under this act, above and beyond emergency services by the Federal Government, to supplement the efforts and available resources of States, local governments, and disaster relief organizations in alleviating the damage, loss, hardship, or suffering caused thereby."

1/"Poor Controls Over Federal Aid in Massachusetts After the 1978 Blizzard Caused Questionable Benefit Payments" (CED-81-4, Jan. 26, 1981).

The Governor's request for a major disaster declaration by the President must (1) be based upon a finding that the situation is of such severity and magnitude that effective response is beyond the affected State and local governments' capabilities to respond and that Federal assistance is necessary, (2) contain a certification by the Governor that reasonable amounts of State and local funds have been or will be spent for disaster relief, and (3) include an estimate of the extent and nature of Federal assistance required for each disaster area.

Once the President has declared a major disaster, the Federal Emergency Management Agency (FEMA) has authority to spend funds for disaster assistance from the President's Disaster Relief Fund. Based upon the Governor's request, FEMA (1) designates the areas within the State that will receive assistance and (2) specifies the type of assistance that will be provided. In addition, FEMA can call upon other Federal agencies to provide disaster assistance with or without reimbursement to the agencies from the President's fund. A number of Federal agencies can also provide assistance under their own authorities. Thus, States, local governments, and individuals may receive assistance concurrently from FEMA as well as other Federal agencies.

FEMA can make a broad range of public disaster assistance available to State and local governments. This assistance may be directed to debris removal; emergency protective measures; or repair or replacement of roads, streets, bridges, water control facilities, public buildings, and other public facilities. To obtain increased commitments from State and local governments, FEMA, in May 1980, began requiring that they pay 25 percent of the costs which are determined eligible for public disaster assistance.

The table below shows the estimated amount of public assistance provided from the President's fund for major disasters declared for fiscal years 1979, 1980, and 1981.

Public Disaster Assistance Funding
Fiscal Years 1979, 1980, 1981

	1979	1980	1981	Total
	----------(000 omitted)----------			
Public assistance	$418,788	$239,439	$46,580	$710,932

FEMA's role in public disaster assistance

FEMA was created in July 1979 under an executive reorganization which merged organizational elements of several Federal agencies. The purpose of the reorganization was to improve Federal emergency management and assistance.

FEMA's Office of Disaster Response and Recovery, which was primarily responsible for overall direction and guidance of various programs authorized under the 1974 Disaster Relief Act, was reorganized during 1981 into the Directorate of State and Local Programs and Support. Its responsibilities include administration of disaster response and recovery assistance for State and local governments and coordination of disaster relief activities of other Federal agencies. Regional personnel assess disaster damages and estimate the Federal assistance required. The region makes its recommendation to FEMA headquarters, which reviews the data and makes its recommendation to the President for use in making a disaster determination.

When a request for public disaster assistance is granted, FEMA regional personnel coordinate response and recovery activities. The FEMA regions augment their permanent staffs by temporarily employing "reservists" who are disaster assistance specialists to assist in carrying out FEMA's responsibilities at a disaster site. FEMA regional personnel may be shifted from their "home" regions to a disaster site. In many cases, FEMA also uses temporary staff of other Federal agencies. These personnel generally function as inspectors at the disaster site. They are escorted through the damaged areas by State and local officials. At that time, the inspectors prepare damage survey reports. These are the primary documents used to initiate FEMA reimbursement for applicants' expenses following the disaster. The damage survey reports contain the inspectors' conclusions on the extent of disaster damage suffered by the State and local governments for various item categories and the probable amount of FEMA reimbursement. In preparing damage survey reports the inspectors use the broad eligibility guidelines set forth in the FEMA eligibility handbook.

State and local government applicants are subsequently reimbursed for their disaster-related costs based primarily on eligibility determinations by FEMA regional officials using the information contained in the damage survey reports and State and local applicants' documentation as to amounts expended. Most reimbursements are subject to final analysis of supporting paperwork and verification at a FEMA regional office and a State audit.

OBJECTIVES, SCOPE, AND METHODOLOGY

This assignment was initiated under our basic legislative responsibilities and was performed in accordance with our current "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions." Our primary objectives were to determine whether FEMA was consistent and effective in administering public disaster assistance. We have previously reported on disaster assistance provided to individuals 1/ and on the Federal disaster declaration process. 2/

In February 1981, after we had begun this review, Congressman Steve Gunderson of Wisconsin requested us to determine whether FEMA was administering public disaster assistance consistently, effectively, and according to congressional intent. We discussed with Congressman Gunderson his specific questions about the disaster assistance program and advised him that this review would address his concerns relating to the effectiveness and consistency of FEMA's determination of costs eligible for reimbursement under public disaster assistance. His concerns related to congressional intent were addressed in our December 7, 1981, report on the Federal disaster declaration process (CED-82-4).

Our review was performed from October 1980 through September 1981. The detailed work was conducted at FEMA's headquarters, Washington, D.C., and in four States that have obtained public disaster assistance for three major disasters totaling an estimated $275 million. These States were:

--Mississippi and Alabama, which received over $170 million in approved public disaster assistance following Hurricane Frederic in September 1979. Hurricane Frederic, one of the most physically destructive storms ever to strike the Gulf of Mexico coastal area, inflicted over $2 billion in overall damage to 14 counties in Mississippi and to 8 counties in Alabama. The hurricane's major path of destruction was about 250 miles wide and 150 miles deep which resulted from torrential rains, 145-mile-per-hour winds, and numerous tornadoes. The area of greatest impact received extensive beach and dune erosion, massive highway and bridge destruction, and heavy damage to all types of public properties.

1/"Poor Controls Over Federal Aid in Massachusetts After the 1978 Blizzard Caused Questionable Benefit Payments" (CED-81-4, Jan. 26, 1981).

2/"Requests for Federal Disaster Assistance Need Better Evaluation" (CED-82-4, Dec. 7, 1981).

--California, which received over $100 million of approved public disaster assistance following flooding and mudslides affecting eight counties in February 1980. The flooding and mudslides were the result of torrential rains and severe storms which dropped nearly the entire normal amount of annual precipitation within a 9-day period causing immediate overload to existing drainage capabilities. Damage totaling over $316 million was inflicted to numerous catch basin structures, as well as to other types of public properties.

--Wisconsin, which received over $3 million of approved public disaster assistance following high winds and tornadoes affecting four counties in July 1980. Several severe thunderstorms cut a path about 20 miles wide and 100 miles long through the area causing $160 million in damage to agricultural crops, timber, electrical power lines, and various public properties.

See appendix I for a list of the State and local applicants we visited along with the amount of FEMA-approved public assistance funds they received. Appendix II provides a complete list of all the organizations we contacted or visited.

We selected the hurricane and flooding/mudslides disasters because they involved (1) large funding for public disaster assistance, (2) a broad range of types of damages, and (3) significantly different environments. Following Congressman Gunderson's request, we did some limited work in Wisconsin to include the July 1980 disaster.

We reviewed the Disaster Relief Act of 1974 and related FEMA regulations, handbooks, and program material. We also reviewed records and interviewed officials in FEMA's Atlanta and San Francisco Regional Offices and at FEMA's Washington, D.C., headquarters. Based on our analysis of available data, we made a nonscientific selection of 27 State and local applicants for detailed review of the public disaster assistance reimbursements they received. We selected State and local applicants who had received substantial public disaster assistance for a broad range of damage categories as well as applicants who had received small amounts of assistance. We visited local government officials, reviewed their records, and conducted nonstructured interviews to determine how public disaster assistance is administered by the States and FEMA. We reviewed State and local applicants' financial and accounting data and the damage survey reports which showed eligibility determinations regarding the expenses claimed for FEMA reimbursement. We analyzed the reimbursements to determine the degree of consistency FEMA applied in approving reimbursements.

We also visited State emergency offices in the four States (Alabama, Mississippi, California, and Wisconsin) affected by the three selected disasters to discuss with officials FEMA's administration of public disaster assistance and the States' contribution to the recovery effort. We reviewed financial records and various data from applications at these State offices.

Where this report indicates the numbers of State or local officials expressing a particular point of view, these numbers cannot be used for making statistical projections.

To supplement our coverage and provide a broader base of evidence and opinion, we obtained the views of officials of the National Governor's Association and made limited inquiries of State emergency officials in Texas and South Carolina regarding public disaster assistance. We also discussed with officials of several Federal departments and agencies, including the Department of Housing and Urban Development, Federal Highway Administration, and the Law Enforcement Assistance Administration, their efforts to provide disaster assistance to State and local applicants through their program authorities.

CHAPTER 2

OPPORTUNITIES AVAILABLE FOR REDUCING FEDERAL COSTS OF PUBLIC DISASTER ASSISTANCE

FEMA provided public disaster assistance to State and local governments for certain categories of expenditures which they had the capability of providing for themselves. Specifically, FEMA has routinely reimbursed applicants for

--salaries of State and local government employees who were temporarily reassigned from their day-to-day jobs to assist in disaster relief efforts,

--use of State and local government equipment temporarily diverted to disaster relief work, and

--repair or reconstruction of buildings and facilities which were not insured by the State or local government applicant.

FEMA's policy allowing for reimbursement of these expenditures is authorized by the Disaster Relief Act of 1974. However, the act also provides that Federal assistance supplement the efforts and available resources of States and local governments. We believe that State and local governments should be reimbursed for the incremental costs which they incur for disaster recovery work, such as overtime and additional supplies, but not for their use of regularly budgeted salaries and equipment costs. Furthermore, we do not believe that it is reasonable for the Federal Government to repair and replace buildings, equipment, and facilities for State and local governments that have failed to exercise good administrative practices and sound business judgment by not obtaining available, adequate, and necessary flood and hazard insurance coverage.

The Disaster Relief Act of 1974 should be amended to provide that disaster relief funds will not be provided to repair or replace buildings, equipment, and facilities to the extent that adequate flood and hazard insurance was reasonably available and necessary for this purpose. Also, FEMA's regulations for public disaster assistance should be changed to require that State and local governments assume those disaster relief obligations which they are capable of paying. Such obligations could be applied toward the 25 percent of eligible costs which FEMA now requires State and local governments to provide (referred to below as the "cost-sharing requirement" or "commitment" of State and local governments).

REGULAR EMPLOYEES AND EQUIPMENT USED FOR DISASTERS

A normal practice of State and local government applicants is to use their regular employees and owned equipment for part or all of disaster recovery work. Although these costs would have been paid or incurred whether or not a disaster had occurred, we found such costs were reimbursed by FEMA. FEMA's regulations allow for reimbursement of these types of costs if employees' duties have changed because of the disaster.

All of the applicants we visited who used their regular employees and equipment received such reimbursements, and often it was a significant portion of total public disaster assistance received. For example, Harrison County, Mississippi, was provided public disaster assistance funds estimated at $455,000, of which about $266,200, or 59 percent, was reimbursed for regular employee salaries and equipment costs. The following table shows examples of these reimbursements for regular employees and owned equipment.

Applicant	Regular employees	Owned equipment	Total
Alabama:			
Baldwin County	$ 3,100	$ 2,400	$ 5,500
Mobile	299,100	1,125,100	1,424,200
Prichard	208,800	220,900	429,700
Mississippi:			
Biloxi	36,300	58,100	94,000
Greene County	40,000	108,800	152,800
Gulfport	Breakout not readily available		112,800
Harrison County	107,800	158,400	266,200
Jackson County	177,200	261,900	439,100
Leakesville	14,200	9,600	23,800
Long Beach	19,900	6,100	26,000
Moss Point	31,200	23,400	54,600

Comments by three of these applicants indicated that there was no real basis for reimbursement of regular employees' salaries inasmuch as they would have continued to collect their salaries had the disaster not occurred. To illustrate:

—Biloxi, Mississippi, used its own work force to perform part of the disaster cleanup work and was reimbursed $36,300 by FEMA for regular employees' salaries. The city's chief administrative officer agreed that the employees would have been paid whether or not the hurricane had damaged the city.

--Greene County, Mississippi, which primarily needed to have debris removed from rural roads, used its own work force to handle all required work and was reimbursed $40,000 for regular employees' salaries. The county chancery clerk observed that "self-help" was replaced with public disaster assistance because it was readily available. He said that the county could have recovered with significantly less Federal assistance or with only a temporary loan.

--Long Beach, Mississippi, on the fringes of the hurricane, used its own work force to handle part of the required debris cleanup and was reimbursed $19,900 for regular employees' salaries. The town's financial officer said that they could have handled debris cleanup on their own, but applied for public disaster assistance because they were encouraged by FEMA and they believed it was expected of them to seek such assistance.

Clearly, these three applicants did not require FEMA's reimbursement of their regular employees' salary costs with public disaster assistance funds. They expected to incur salary costs prior to the hurricane's occurrence. The funds were accepted not because of urgent need but because reimbursements for regular employees' salaries were readily available without question.

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Officials of FEMA's Directorate of State and Local Programs and Support agreed that the categories of expenditures discussed above have been routinely determined eligible and reimbursed in accordance with the law and regulations for public disaster assistance following the disasters. 1/ These officials believe that if State and local governments lose the benefit of being reimbursed for using regular employees and owned equipment, they would exercise their option to contract some or all disaster recovery work. In this case, FEMA will generally allow the cost of eligible work contracted out. FEMA officials believe that contracting is a more costly alternative for the Federal Government.

Contracting may or may not be a more costly alternative for both the Federal Government and State and local governments. But we do not believe that State and local governments would often choose this option, as long as FEMA (1) permits regular

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1/At the time of the disasters discussed in this report FEMA reimbursed 100 percent of eligible costs. In May 1980, FEMA adopted a general policy of cost sharing by paying only 75 percent of eligible costs, with the State and local governments contributing the remaining 25 percent.

employee and equipment costs to be counted toward the State and local cost-sharing commitment and (2) does not permit contracting out when in-house resources are available. In circumstances where State and local governments have in-house capacity to use regular employees and equipment for disaster-related activities, these costs would be funded from their existing budgets. However, if they contract out, State and local governments would still have to meet their regular payroll and equipment costs as well as obtain and contribute additional funds when their in-house resources are insufficient to cover their 25 percent cost-sharing requirement.

In keeping with the program's objective, FEMA is to provide only supplemental assistance. Overall, FEMA has determined that, in most instances, 25 percent is a reasonable State and local commitment. However, if specific State and local governments--in a particular disaster situation--have a greater than 25-percent capability for handling their own disaster, the non-Federal share should be increased in proportion to their capability. In this manner, State and local governments would be required to use their regular personnel and equipment to the full extent that they are capable, and FEMA would provide only supplemental assistance for incremental costs.

FEMA also contends that if it does not reimburse regular salary and equipment costs, the State and local governments would still have a financial obligation to complete projects that had been deferred because of the disaster recovery work. We recognize that regularly budgeted work may have to be deferred and that the financial obligation to complete some deferred projects may remain. Deferring projects does not necessarily create an undue financial burden or additional hardship. This is a case-by-case assessment that FEMA would have to make when determining how much it will reimburse.

RECONSTRUCTION OF UNINSURED STRUCTURES

Another usual practice of FEMA was to reimburse State and local applicants for the reconstruction or repair of structures that were not covered by insurance. Often, however, a deliberate decision had been made by responsible officials not to insure, or to underinsure, such property. The following examples illustrate uninsured losses transferred to the Federal Government:

--Mobile, Alabama, owned many public buildings which were damaged by the hurricane. Some of the buildings had an individual value below $75,000. City officials had decided not to insure these buildings and designed a blanket insurance policy which had a $75,000 deductible clause for each individual piece of city property. Therefore, the policy did not cover these particular buildings. FEMA reimbursed Mobile for over $1 million of the cost to repair these buildings. City officials advised us that

their insurance coverage will continue to include the $75,000 deductible provision.

--FEMA provided public disaster assistance for reconstructing a number of uninsured buildings in Mississippi. In this regard an official of the Mississippi Commission of Budget and Accounting informed us that State-owned buildings were inadvertently uninsured despite a 1979 State legislative requirement that all State buildings be insured. FEMA approved reimbursement of over $170,000 to the State for hurricane damage to the uninsured buildings.

--The State of California and its local governments do not insure public facilities but assume a self-insured posture. The Regional Director of FEMA's San Francisco Office stated that no State or local government in California carries insurance unless required to do so by the Federal Government as a condition to obtain Federal public assistance after a disaster. However, since California is not registered as a self-insurer with FEMA, it and its local governments are eligible for disaster assistance funds.

The Disaster Relief Act of 1974 stipulates that State and local governments be encouraged to protect themselves by obtaining insurance coverage to supplement or replace governmental assistance. Currently, State and local governments are not required to purchase insurance for risks prior to a disaster being declared. However, a public assistance applicant must agree to obtain and maintain appropriate flood and/or hazard insurance as is reasonably available, adequate, and necessary to protect against future loss as a condition of receiving Federal public disaster assistance for the permanent repair or restoration of any property. Also, FEMA requires coverage only for the amount of assistance provided. As an alternative, the act provides that States can apply to FEMA to be approved as being self-insured, but none have done so.

Prudent business practices suggest that valuable property be insured to protect even a first-time loss, and the Federal Government should not expect any less of State and local governments.

CONCLUSIONS

We believe that public disaster assistance should not be provided to State and local governments for costs which they are capable of paying. State and local governments should receive disaster assistance for incremental costs such as overtime salaries, extra usage of equipment, and similar additional costs, but they should not be reimbursed for regular salary and equipment costs which they would have incurred in any case.

Regardless of whether the employees' duties change as a result of the disaster, the expenses for regular employees and owned equipment should remain a cost to the State or local governments and not be transferred to the Federal Government for reimbursement. However, these regular employee and equipment costs should be applied toward the State and local commitment.

Additionally, we believe that State and local governments should have the capability of providing available and adequate insurance for their own property or to assume the risk of loss for not being insured. The repairs and reconstruction costs incurred because of being uninsured should not be transferred to the Federal Government. It is not reasonable to expect the Federal Government to reimburse State and local governments that have failed to exercise prudent business judgment and obtain adequate and reasonably available insurance.

RECOMMENDATION TO THE DIRECTOR, FEMA

We recommend that the Director, FEMA, not reimburse State and local governments for regular employees and owned equipment costs that are properly State and local obligations. These costs should instead be considered as part of the State and local cost-sharing commitment.

AGENCY COMMENTS AND OUR EVALUATION

FEMA informed us that it decided to pay for regular employees' time to encourage applicants to perform disaster restorative work with their own forces and not hire more costly private contractors, resulting in a savings to the Federal Government. FEMA believes that if our recommendation is adopted, State and local governments would rely more on private contractors even though State and local resources may be available to do the work. Further, FEMA believes that compliance with our recommendation may put the Agency in violation of Office of Management and Budget (OMB) Circular A-87 which authorizes compensation to grantees for the use of their employees and equipment when devoted to the execution of grant programs such as public disaster assistance. (See app. III.)

We do not believe that applicants would be less willing to use their own resources if our recommendation is accepted. As FEMA has stated, State and local governments generally prefer to use their own resources rather than rely on more costly private contractors. We believe State and local governments will continue to rely on their available resources rather than use private contractors since they must still pay for their regularly budgeted salaries, equipment, and other items and, by using contractors, may have to provide additional funds to satisfy their cost-sharing requirements. By allowing State and local governments to allocate the cost of using their own resources to satisfy their sharing requirements, the Federal Government would not be

paying for any portion of these costs that are not incremental in nature. Further, we believe this approach is more consistent with the Disaster Relief Act of 1974 which authorizes the Federal Government to provide disaster assistance to supplement the efforts of applicants only when they do not have the capability to provide needed resources themselves.

In addition, we do not agree with FEMA that OMB Circular A-87 requires the payment of these costs. Circular A-87 gives Federal agencies the discretion to determine whether grantees' employee and equipment costs should be allowed on grant programs and whether the costs may be charged to these programs as direct costs. Therefore, Circular A-87 is not a bar to our recommendation.

RECOMMENDATION TO THE CONGRESS

We recommend that the Congress amend the Disaster Relief Act of 1974 to require that, as a condition of receiving Federal public disaster assistance, State and local governments obtain and maintain appropriate hazard and flood insurance as is reasonably available, adequate, and necessary to protect against the loss of public buildings, facilities, and equipment.

This recommendation can be achieved by adopting the following suggested legislative changes:

--Section 314 of the Disaster Relief Act of 1974 (Public Law 93-288, May 22, 1974, 88 Stat. 143) is amended by adding thereto new subsection (a):

(a) The President shall provide by regulation that no applicant receives assistance under sections 402 and 419 of this Act with respect to any properties which, at the time of the major disaster giving rise to the applicant's request for assistance, were not covered by reasonably available, adequate, and necessary insurance (as determined pursuant to subsection (b) of this section) to protect against loss to such property.

--Technical amendments to conform section 314 to new subsection (a) set out above are as follows:

A. Section 314(a)(1) of the Act is amended by inserting "were obtained in compliance with subsection (a) or" between the words "insurance" and "will".

B. Section 314(b) of the Act is amended by inserting "presently seeks or" after the word "he".

C. Section 314(c) of the Act is amended by inserting "and (b)" after the letter "(a)" as it appears in the second sentence.

D. Section 314(c) of the Act is amended by inserting "presently seeks or" after the word "it" as it appears in the third sentence.

E. Section 314 of the Act is amended by striking out the letters "(a)" and "(b)" and "(c)" and redesignating such subsections in lieu thereof as "(b)" and "(c)" and "(d)", respectively.

AGENCY COMMENTS AND OUR EVALUATION

FEMA stated that the legislative proposal had merit and suggested, if enacted, that the change be effective 1 year after enactment. FEMA believes that a year will give State and local governments time to prepare for the change. We believe this to be a reasonable suggestion.

Further, FEMA commented that in recent hearings on Senate bill 2250, the Chairman, Subcommittee on Regional and Community Development, Senate Committee on Environment and Public Works, expressed an interest in exploring legislative changes to the insurance question addressed in our recommendation. FEMA intends to address this issue and provide draft language to the committee through OMB. (See app. III.)

CHAPTER 3

BETTER ADVANCE PLANNING AND SYSTEMS NEEDED FOR PROVIDING PUBLIC DISASTER ASSISTANCE

Under FEMA's current system of providing public disaster assistance, all State and local governments are not treated consistently in determining what expenses are eligible for reimbursement. Further, we encountered frequent expressions of dissatisfaction from State and local relief recipients and State disaster officials with respect to many aspects of FEMA's assistance delivery process. In large measure, these conditions are the result of problems inherent in FEMA's current system for providing public disaster assistance. FEMA relies on temporary staff and staff on detail from other Federal agencies as onsite inspectors to augment regional staff under the stressful conditions following a disaster. Some of these personnel did not have sufficient knowledge of and experience with FEMA's cost reimbursement criteria, but made many immediate and very subjective judgments regarding complicated cost eligibility situations. Many cost eligibility decisions were subsequently reversed. The result is that State and local officials often believed they had been misled by initial FEMA determinations on cost eligibility. Also, the paperwork requirements are burdensome.

Patchwork changes geared toward improving FEMA's delivery system would be difficult, expensive, and probably counterproductive. For example, efforts to achieve greater consistency by requiring more detailed documentation of expenditures would only increase burdens on applicants and could lead to greater dissatisfaction and frustration. Fundamental changes are called for. A streamlined system is needed that accomplishes the objective of public disaster assistance while permitting State and local governments to exercise substantially more discretion in establishing priorities and allocating funds to alleviate disaster-related State and local problems.

FEMA has proposed changes to the Disaster Relief Act of 1974 to simplify the procedure for funding projects (individual damage survey reports) of $25,000 or less. We support this proposal. FEMA estimates that this will account for about 90 percent of the projects. It will not solve the problems discussed in this report relating to preparation of damage survey reports. In order to do that FEMA needs to simplify the process of developing estimates of eligible costs through consultation with State and local applicants and interested nongovernmental organizations. FEMA also needs to better educate and train all participants in disaster response and recovery activities.

INCONSISTENT COST ELIGIBILITY DETERMINATIONS RESPONSIBLE FOR DISSATISFACTION WITH FEMA

Following the disasters covered by our review, FEMA treated State and local communities inconsistently in determining what costs were eligible for reimbursement. For example, property owners in Alabama and Mississippi received vastly different debris removal service following Hurricane Frederic. Such inconsistencies occurred as a result of (1) the need for prompt action which exists following a disaster and (2) FEMA's current system of administering disaster assistance which often relies on temporary staff not having detailed knowledge of and experience with FEMA's cost reimbursement criteria. Thus, State and local government applicants were dissatisfied with cost eligibility determinations.

Inconsistent cost eligibility determinations

The following examples illustrate variances in determining the amount of assistance.

Inconsistent debris removal practices

Following Hurricane Frederic, over 70,000 private properties in Alabama received debris removal services under public disaster assistance provisions that were considerably more extensive than removal services provided to about 9,000 private properties in Mississippi. Property owners in Wisconsin and California, however, received no debris removal services following two other disasters because FEMA determined that no hazard to safety and public health existed and therefore did not consider debris removal as part of its responsibility.

The most significant differences between debris removal service allowed in Alabama as opposed to Mississippi were that in Alabama (1) debris within 50 feet of more than one principal structure was removed, (2) dirt was hauled to fill stump holes, (3) rough grading was performed, and (4) fallen limbs and trees were cut into 8-foot lengths and left on the property. In Mississippi, debris within 50 feet of only one principal structure was removed and no additional services were provided. Even though the same eligibility guidelines were used, these differences occurred because different personnel were involved in making these judgments.

There were also inconsistencies in FEMA's determinations in Mississippi as to which local government applicants were to be reimbursed for removing debris from private property. The eligibility guidelines merely provide that reimbursement for debris removal from private property can be included in public disaster assistance if a hazard to safety and public health exists. Using

these guidelines, FEMA denied reimbursement for debris removal services to a number of public disaster assistance applicants while allowing reimbursement to others. The local government applicants that were denied reimbursement were advised that property owners in their area could apply for funds for debris removal under FEMA's individual assistance procedures where a burden of proof of need based on a safety hazard was placed on the individual.

For those local government applicants that were reimbursed, removing debris from private property continued for up to 9 months after the hurricane had occurred. To receive this service the private property owners were required to state that they (1) were not covered by insurance and (2) did not have the financial or physical capability to perform the work themselves. These statements were not verified.

A Gulfport, Mississippi, official said that the criteria for debris removal on private property did not always make sense and the Federal inspector used subjective judgment to decide whether the debris was endangering life and health. The Governor's authorized representative for Mississippi said that there were uncertainties about clearing debris from private property because of disagreements with FEMA about which conditions represented a hazard or threat to safety and public health.

FEMA recognized problems with the manner in which debris removal services were provided for private property after Hurricane Frederic and subsequently revised its guidelines in March 1981. The revised guidelines indicate that debris on private property would rarely be cleared at Government expense and emphasize that private property debris clearance work would largely be the efforts of the owners or tenants plus volunteer labor. The regional director will determine when it is in the public interest to clear private property.

Inconsistent minimum acceptable values for a damage survey report

A damage survey report is the document that initiates FEMA reimbursement action for State and local applicant expenses following a disaster. The minimum value for damage survey reports to be approved following Hurricane Frederic varied between Alabama and Mississippi and was significantly different from the minimum value required following the disasters in Wisconsin and California. In Mississippi, the minimum acceptable value for each damage survey report to be considered eligible for FEMA approval was $250, whereas in Alabama, a $200 per site minimum value was in force. However, damage survey reports of less than $100 were routinely processed. In Wisconsin and California, the apparent minimum was $100.

The FEMA eligibility handbook, which was in use during each disaster, suggested that the losses documented in each damage survey report total not less than $100 to be eligible for reimbursement consideration. However, FEMA's Director, Public Assistance Division, said that the handbook provisions were merely a guide to be used with personal discretion on a case-by-case basis. The application of this provision is delegated to the regions.

Inconsistencies due to personal judgments

Our inquiries disclosed several instances in which similar damage survey reports for public disaster assistance were treated quite differently. Illustrations follow.

--A commitment that insurance will be obtained is required by FEMA regulations when reimbursement for structural damage exceeds $200. In Glendale and Los Angeles, California, the requirement for insurance for certain small structures whose cost exceeded $200 was not enforced. In Mobile, Alabama, insurance was required for repairs costing as little as $25 even though the actual FEMA policy adopted for this location required the purchase of insurance only when the damage exceeded about $600.

--An applicant is permitted to combine several items on a damage survey report provided they all involve the same category of work. In Gulfport, Mississippi, combining insurance policy deductibles of $50 each for 24 public vehicles was denied.

--An applicant's administrative expenses related to disaster recovery work is not a reimbursable item. In Moss Point, Mississippi, about $44,000 was approved for postdisaster administrative duties of a consulting engineer who had functioned as the City Engineer on a regular basis since 1976. Officials of two other local governments in the area commented that they were not reimbursed for their administrative personnel who were performing the same duties as the Moss Point consulting engineer.

Officials of FEMA's Directorate of State and Local Programs and Support characterized the judgments in these cases as probably not proper and said these cases were, more than likely, isolated ones. They said that considering the stressful environment in which the decisions are made, the regional personnel who must make these judgments cannot be expected to be perfect. They said that FEMA has difficulty getting trained onsite inspectors for disaster work and many of those available are not as familiar with public disaster assistance requirements as they should be. In our view, these examples illustrate that under the current system, inconsistencies in cost eligibility and procedural interpretations can be expected.

Dissatisfaction with FEMA

Twenty-four of 27 State and local government applicants and one of the four State disaster officials we visited expressed dissatisfaction with FEMA's administration of public disaster assistance. Their dissatisfaction primarily centered around issues involving cost reimbursement eligibility, including (1) alleged misleading oral guidance provided by onsite inspectors immediately following the disaster, (2) inspectors' lack of program knowledge, (3) FEMA's onerous administrative and paperwork requirements, and (4) inconsistent FEMA determinations regarding what costs are eligible for reimbursement as discussed in the preceding section. The State official and local applicants also expressed concerns related to FEMA's virtually complete control of most aspects of the public disaster assistance process.

Changes to verbal authorizations frustrate State and local applicants

Almost half of the local applicants and State disaster officials whom we interviewed in Mississippi and Alabama were unhappy with FEMA's communication process immediately following a disaster and told us that onsite inspectors issued verbal authorization for various recovery work expenses which were later disallowed. With no formal record or documentation, the State and local applicants had to either absorb the cost themselves or undertake extensive discussions and debate with FEMA to justify reimbursement.

For example, Gulfport, Mississippi, officials informed us that the FEMA representative working onsite immediately following Hurricane Frederic verbally authorized the use of office space on city property for a disaster assistance center and agreed to reimburse the city for all related expenses. FEMA regional officials, however, subsequently refused to accept the expenses as eligible for reimbursement.

In another case, officials of Jackson County, Mississippi, stated that onsite inspectors gave verbal approval to apply a $20 per limb rate for removing limbs less than 6 inches in diameter from trees on private property. In return, they agreed to a lower cubic yard rate for hauling debris. The initial damage survey report with these rates included was prepared and approved by FEMA regional personnel for $420,000. Funds were advanced and the county let a contract for the debris removal work on the basis of those rates. Three months later another damage survey report was submitted on the same rate basis for the remaining estimated costs of $869,000. The FEMA region did not approve this report because it decided that the rates for limb removal work were not reasonable. It also applied this rationale to the initial damage survey report. This matter was the subject of controversy for over a year. The FEMA representative initially onsite denied approving the removal rate per limb, while the FEMA inspector who

prepared the initial damage survey report recalled that FEMA approved a rate for removing limbs 4 inches or more in diameter. FEMA headquarters officials ultimately reached a decision not to accept the $20 per limb rate because there was no substantive proof, in their view, of incorrect verbal instructions. They calculated the cubic yard volume of limbs less than 6 inches in diameter that were hauled and determined the number of trees from which these limbs were removed. A credit was then granted to the county for $661,000, about $600,000 less than it expected to receive.

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In commenting on these examples, the Director of FEMA's Public Assistance Division said that in a disaster environment verbal instructions are sometimes given but that written confirmations should follow. In some cases the verbal instructions may be misunderstood and in many cases the person allegedly issuing them cannot be identified later. Furthermore, at applicants' briefings FEMA representatives do emphasize that funding decisions are made by written approval of project applications.

We agree that funding decisions should be approved in writing. However, FEMA needs to do more to assure that on-the-spot verbal decisions are in consonance with existing policies and will ultimately be approved in writing.

State and local applicants question FEMA representatives' actions

At least 16 State and local applicants claimed that onsite inspectors did not have detailed knowledge of FEMA's criteria for determining what expenses are eligible for reimbursement, which resulted in improperly prepared damage survey reports. State disaster officials of Alabama, Mississippi, and Texas, as well as Corps of Engineers district officials in Los Angeles and Mobile, who participated in the recovery efforts confirmed that Federal inspectors often are not well trained. FEMA's eligibility handbook instructs Federal inspectors to know the rules of eligibility for disaster assistance work and how to complete the damage survey report and other related forms. The ultimate responsibility for providing sound damage survey reports rests with the Federal inspectors.

FEMA records and reports for the three disasters we reviewed indicate that inspectors did not properly prepare many damage survey reports and that they contained expense items that were not eligible for reimbursement. We found that local applicants' administrative costs associated with obtaining public disaster assistance were improperly included in the reports. For example, in the February 1980 disaster, 23 of the 91 damage survey reports for the city of Los Angeles that included fringe benefits were subsequently disapproved by FEMA. Thirty-seven of 97 Los Angeles County damage survey reports were subsequently disapproved for

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various reasons. Six others included ineligibile items that were also disallowed. Even though the damage survey report form includes a statement on the back that the document does not constitute Federal approval and does not obligate Federal funds, the disaster relief applicants appear to expect approval of the total amounts shown. As a result, these applicants expected more cost reimbursement than they actually received. Such uncertainty regarding the amount of cost reimbursement contributed to the distrust and confusion which existed between FEMA and the State and local applicants.

The emergency operations manager for the Los Angeles District Corps of Engineers said that problems have occurred because of the lack of training in how to prepare damage survey reports. For example, in Riverside County during the 1980 flooding, Corps inspectors prepared damage survey reports. These reports were sent to FEMA and found to contain many ineligible items. When notified of the ineligible items, Riverside County officials became quite upset. The Corps official attributed this problem to the difficulty in understanding FEMA reimbursement guidelines and the inadequate training provided by FEMA.

The Chief of the Disaster Assistance Programs Division at FEMA's San Francisco office said that 2 days of training were provided for the untrained Federal inspectors who worked the mudslide and flooding disaster. He said that training is a problem area and that many inspectors are not familiar with FEMA's rules and regulations. He said further that even though training is provided several times during the year, only about 10 to 15 percent of those who received training are available at the time of a disaster.

Officials of FEMA's Directorate of State and Local Programs and Support said that many inspectors are temporary reservists or assignees from other Federal agencies. They commented that some are not as well qualified as others and that the brief training given to these inspectors prior to onsite placement may not be sufficient to ensure the depth of knowledge required for various eligibility determinations. Nevertheless, they said most damage survey reports are acceptable. They believe FEMA is providing training that is as good as can be expected under the circumstances.

Administration and paperwork requirements burden applicants

At least 16 State and local applicants contended that administrative paperwork requirements associated with obtaining public disaster assistance from FEMA are extremely burdensome and unreasonable. Although FEMA representatives prepare the damage survey reports, State and local applicants must provide extensive supporting documentation. While State and local applicants recognize that FEMA needs complete documentation for damage survey

reports to substantiate reimbursement claims, they believe that the documentation needed to fulfill this requirement is excessive.

For example, a Los Angeles disaster official told us that about 40,000 documents were generated during a 5-month recovery period following the flooding and mudslides. The official said that 2,143 pages of supporting documentation were prepared to support a damage survey report for $96,869 of reimbursable expenses. In Wisconsin, a State disaster official told us that because of FEMA's requirements, paperwork to support reimbursement claims has increased from an average of 4 pages per damage survey report following a 1978 disaster to over 12 pages following the 1980 disaster. A Ventura County, California, official expressed a similar concern about the amount of paperwork required. He cited as an example one damage survey report for about $11,000 that required 40 pages of documentation.

The Chief of the Disaster Assistance Programs Division at FEMA's San Francisco office said that paperwork was very burdensome. The Acting Regional Director suggested simplifying the delivery system by negotiating an amount for Federal public assistance soon after the disaster and eliminating most of the ensuing paperwork.

While FEMA headquarters officials were generally sympathetic to State and local applicants' concern over the administrative and paperwork requirements, they said that this was an inherent feature of the current system of providing public disaster assistance.

State and local applicants desire a more responsible role

At least 15 State and local applicants expressed general dissatisfaction that FEMA's current practices do not allow them to assume greater responsibility for determining how the public disaster assistance funds will be used. Many believed that since inspectors take full control of the damage inspection and damage survey report preparation process and the FEMA regions are responsible for the approval process, applicants merely serve as guides and are not sufficiently involved in the process of obtaining assistance.

Dissatisfactions expressed by State and local officials about the current public assistance delivery system included FEMA's practices of:

--Involving itself with matters that are properly under the purview of local jurisdiction. For example, an official of Riverside County said that a Federal inspector arbitrarily and unilaterally declared a damaged city street which crossed a channel ineligible for replacement. The inspector told the county that

three alternate routes, including one bridge, could be used with negligible increase in mileage. The county pointed out that the bridge existed on paper only and the two other routes did not cross the channel--no effective alternative route existed. The inspector's decision was appealed and proven incorrect. A project was approved to replace the damaged city street.

--Making unilateral determinations as to how much damage repair is needed and how much should be done. For example, in Los Angeles County, part of the debris collected in "debris basins" was determined to be ineligible for removal at Federal expense. FEMA just assumed that at least 25 percent of the debris must have been deposited before the current disaster.

--Establishing local recovery priorities without obtaining adequate input from the applicants. For example, the Los Angeles Power Operating and Maintenance Division was seldom consulted for preparation of the damage survey report. It participated only by providing lists and maps of damaged sites and basic time reporting documents and signing the completed report. Division personnel were forced to rely on the inspectors' expertise for eligibility cost estimates in the local area, and onsite investigations. FEMA subsequently determined that several damage survey reports included some ineligible work and reduced the estimates accordingly. Division officials pointed out the inconsistency of having damage estimates, prepared by experts who had visited the sites, reduced by FEMA reviewers who had not visited the sites or interviewed the applicants' representatives.

--Providing insufficient information concerning the public assistance process, particularly to applicants who have not previously dealt with FEMA. For example, officials from Pascagoula, Mississippi, could not get a copy of the eligibility handbook from FEMA. The examples and comments on pages 18 and 19 about the untrained inspectors likewise indicate that applicants would not be sufficiently informed.

At least 22 State and local government officials said that their recovery efforts would have been enhanced if they had had greater responsibility for administering the public assistance received from FEMA. Most of their suggestions for revising the delivery process centered on greater latitude in determining their own priorities for using the funds. They wanted less FEMA involvement and direction.

Dissatisfaction expressed at the national level

A spokesman for the National Governor's Association said that State Governors are concerned about decisions for reimbursements because at times it is difficult to know the bases for FEMA's eligibility decisions. An August 1980 Association letter mentioned several dissatisfactions that Western State Governors had with FEMA, including that:

--Of all Federal agencies, FEMA was the most difficult to deal with and imposed inordinate red tape.

--FEMA representatives acted like insurance adjusters trying to drive down every item of the States' damage estimate with excessive picking over local community details.

--FEMA initially gave instructions to "go ahead and clean up--we'll pay the bills." Later, FEMA reneged and refused to pay.

The Chairman of Emergency Management for the National Association of Counties stated in May 1981, before the House Subcommittee on Investigation and Oversight, Committee on Public Works and Transportation, that disaster relief regulations have become rather cumbersome and county officials often experience paperwork exercises that are excessive. There is quite a concern that the regulations and the amount of paperwork have grown so much that if a really major disaster were to occur, the reimbursement process would totally bog down.

ALTERNATIVE SYSTEM FOR PROVIDING PUBLIC DISASTER ASSISTANCE

We believe that the system for providing disaster assistance needs to be streamlined and simplified. We propose a lump sum grant approach which offers advantages to both FEMA and applicants. Such a system not only could help FEMA accomplish its objective of providing timely public disaster assistance, but could also permit State and local applicants to exercise substantially more discretion in allocating funds to alleviate disaster-related State and local problems. Amendments to the Disaster Relief Act of 1974 would be necessary, however, to accomplish this proposal.

Generally, instead of using the current system, FEMA could (1) develop a mechanism for quickly estimating the probable extent of public disaster assistance that would be required by State or local applicants, (2) negotiate an acceptable lump sum grant amount with the State or local applicant, (3) allow the State or local applicant to be responsible for its disaster recovery

efforts within broadly defined parameters, and (4) establish post-recovery-period evaluation procedures to assure accountability and oversight of the lump sum funds over which the State or local governments would have stewardship. Properly designed, a lump sum grant approach for administering public disaster assistance would place more decisions in the hands of those who are most aware of the needs and preferences of the local community and accountable to it for effective performance. Such a system would in no way change public disaster assistance objectives, but would demand more responsible administrative and fiscal involvement by State and local governments. In this regard, paperwork and other system requirements for FEMA to carry out any oversight responsibility could be reduced to a minimum.

The approach described above generally reflects the conclusions of a study made several years ago by the Advisory Commission on Intergovernmental Relations. 1/ The Commission stated that providing funds in such a manner could

--provide aid to jurisdictions having the greatest programmatic needs and give them a greater degree of fiscal certainty;

--accord applicants substantial discretion in defining problems, setting priorities, and allocating resources;

--simplify program administration and reduce paperwork and overhead;

--facilitate interfunctional and intergovernmental coordination and planning; and

--encourage greater participation in decisionmaking by elected and appointed generalist officials.

Changes being considered by FEMA

We discussed our lump sum grant approach with FEMA officials who advised us that they had submitted a legislative proposal to the Congress incorporating a similar procedure for all projects of $25,000 or less. Under the new procedure, FEMA would be authorized to make contributions to applicants, not to exceed $25,000, for each project eligible for Federal assistance, based upon the Federal estimate of total eligible costs. The officials estimate that this new procedure would cover about 90 percent of all projects, with considerable savings of inspections and audits,

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1/ Carol Weissert, "Block Grants: The Promise and Reality," Intergovernmental Prospective, Spring issue 1981, vol. 7, No. 2, pp. 16-17.

as well as avoidance of long delays in final payments. FEMA's lump sum proposal should solve some of the problems discussed in this report and should mitigate some of the applicants' complaints.

CONCLUSIONS

FEMA's current system for providing public disaster assistance has helped State and local governments alleviate the suffering and damage associated with major disasters. Nevertheless, FEMA needs to improve its processes for delivering public disaster assistance that have caused

--inconsistent treatment of State and local applicants in determining what expenses were eligible for reimbursement and

--dissatisfaction among State and local applicants with aspects of FEMA's assistance delivery process.

To overcome these problems we believe that FEMA could take a three-stage approach. First, FEMA could organize a task force with representatives from Federal/State/local governments and other interested organizations to develop ways of simplifying the arduous task of estimating eligible costs of a project. Second, FEMA could revise its rules and regulations where necessary. Third, FEMA could develop an education and training program so that all disaster participants can better understand FEMA's disaster response and recovery policies, procedures, guidelines, and handbooks. The program could be used to periodically reorient FEMA regional personnel and to obtain more uniformity and consistency in their decisions. Other Federal agency personnel, reservists, and State and local officials could also benefit periodically from the education and training program, especially during those periods preceding the seasons of expected flooding, hurricanes, and other weather events normally experienced in certain areas of the country.

FEMA's legislative proposal to simplify procedures for all projects of $25,000 or less appears to be a step in the right direction and should give State and local applicants a more responsible role in disaster recovery efforts. If FEMA's experience under this new procedure is successful, FEMA could seek authority to increase project limits from $25,000 and eventually progress to an unlimited lump sum grant system.

RECOMMENDATIONS TO THE DIRECTOR, FEMA

We recommend that the Director, FEMA:

--Establish a task force with representatives from FEMA's national and regional offices to minimize the problems

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associated with estimating eligible project costs. The task force should consult with State and local governments and interested outside organizations.

--Revise FEMA's rules and regulations to implement the task force's suggestions for simplifying the estimating of eligible project costs.

--Develop an education and training program that will better prepare all participants associated with disaster response and recovery activities.

--Seek passage of the legislative proposal FEMA submitted to the Congress which would simplify its funding of projects up to $25,000. If successful, FEMA should consider seeking authorization to increase the project funding ceiling.

AGENCY COMMENTS AND OUR EVALUATION

FEMA agreed with our recommendations but offered a somewhat different approach for addressing the problems we identified. FEMA plans to organize a task force different from that we proposed, to simplify the task force structure. The planned task force structure and approach seem reasonable to us, and we therefore have revised our recommendation. FEMA agreed to revise rules and regulations to simplify estimating eligible project costs, as necessary.

FEMA agreed that better preparation of all participants associated with disaster response and recovery is desirable. However, FEMA stated that it is not possible to fully train all potential participants. We agree. However, we believe FEMA could better target its training to those areas most likely to experience disasters. FEMA's suggestion to use experienced reservists who would be trained could be a vital part of its education and training program.

Concerning the legislative proposal to simplify project funding, FEMA stated that S. 2250 would allow it to implement a lump sum grant approach. However, FEMA believes that it needs to improve the quality of damage survey reports before any further increases above the $25,000 limitation are considered. The legislation provides for FEMA to set the limit administratively. FEMA agrees with this feature of S. 2250 and strongly supports it, but would administratively set the limit at $25,000 to start. We believe this to be a reasonable approach. (See app. III.)

CHAPTER 4

FUNDING FOR HAZARD MITIGATION REMAINS AN UNRESOLVED ISSUE

Hazard mitigation involves activities aimed at (1) eliminating or reducing the probability of a disaster and (2) reducing a disaster's potential for adverse impacts. FEMA has made several attempts to encourage State and local governments to prepare and implement hazard mitigation plans, but only limited progress has been made toward implementing recommended hazard mitigation measures. The lack of progress stems primarily from FEMA's and the State and local governments' different views regarding their roles in implementing recommendations in hazard mitigation plans. While no one disagrees about the value of and need for hazard mitigation, opinions differ as to whether required funding is a Federal, State, or local government responsibility.

FEDERAL INITIATIVES TO ENCOURAGE HAZARD MITIGATION

Until the Disaster Relief Act of 1974, the Federal Government's primary hazard mitigation effort was the National Flood Insurance Program established by the National Flood Insurance Act of 1968. The 1968 act required local communities participating in the program to enact land use controls. However, the program initially proved ineffective in reducing Federal flood disaster relief spending because participation was voluntary. Subsequently, the Flood Disaster Protection Act of 1973 required beneficiaries to purchase flood insurance where available and prohibited Federal financial assistance for purchase or construction in a flood plain area unless flood insurance is purchased. The Congress also prohibited, with certain exceptions, loans by federally regulated financial institutions. Insurance was not made available until the local government joined the program and adopted appropriate land use regulations. This requirement assured that flood disaster victims would help pay a portion of the cost of their losses and that adequate flood plain land use controls would be adopted to limit future flood losses by restricting flood plain development. The 1977 Housing and Community Development Act relaxed these requirements; consequently, in theory, less incentive exists for joining or remaining in the program. However, since most lenders will not make loans in hazard-prone areas without insurance, communities are joining rather than leaving the program.

In accordance with provisions of the the Disaster Relief Act of 1974, each State received grants up to $250,000 for preparedness activities, including the preparation of disaster preparedness plans for mitigation, warning, emergency operations, rehabilitation, and recovery. The States could voluntarily update their plans annually with a $25,000 matching grant authorized

by FEMA. FEMA did not, however, provide (1) definitive guidelines for plan development, (2) milestones for their completion, or (3) funds for the States to implement resultant recommendations.

During recent years, hazard mitigation planning has received increased emphasis. FEMA has undertaken (1) to encourage State and local governments to develop hazard mitigation plans and (2) to implement recommended hazard mitigation measures, but neither has been effective.

The first effort, initiated in November 1979, involved adding a provision to the Federal/State Disaster Assistance Agreement which is prepared when assistance is provided following a disaster. The provision called for recipients of disaster relief to develop and implement hazard mitigation plans for the affected areas in order to reduce the potential for damage in the event of a similar disaster in the future. The stated objectives of post-disaster planning were to

--identify potential disasters and the extent of possible damages;

--develop plans for specific actions to mitigate or lessen disaster impacts; and

--plan for implementing recommended actions, including preparing a timetable for completing these actions.

The second effort, initiated in July 1980, involved establishing an interagency task force under FEMA's leadership to encourage and promote recommended measures in predisaster and postdisaster plans for reducing future flood losses and encouraging wise use of the flood plain. The primary purpose of this task force is to identify hazard mitigation needs and what roles the Federal, State, and local governments may take.

PROSPECTS FOR ACCOMPLISHING HAZARD MITIGATION ARE LIMITED

State government officials told us that although hazard mitigation plans have been prepared under various initiatives, the long-term prospects for implementing effective hazard mitigation measures are limited. Essentially, all endorsed the value of hazard mitigation. But they stated that only limited resources are available for implementing recommendations resulting from such plans. These recommendations range from costly construction projects and land acquisitions in high-hazard areas (such as building a dike to divert flood waters and reworking ditches and creeks) to other less expensive measures, such as

--adopting and enforcing strong zoning and construction codes,

--promoting wise land use and planning principles, and

--encouraging the purchase of hazard insurance.

They believe that to make any substantial long-term progress, FEMA or some other Federal agency will have to provide Federal funds.

A FEMA Public Assistance Division engineer said that FEMA has little knowledge regarding whether State and local governments have been implementing hazard mitigation measures as recommended in the plans. According to FEMA's General Counsel, the 1974 act does not give FEMA the power to require and/or enforce implementation of hazard mitigation opportunities. He also recognized that other Federal agencies were going to have less funds for this program in the future due to various budget reductions.

The agreement which established the interagency task force requires that FEMA and other Federal agencies give due consideration to providing financial and technical assistance as needed, within manpower and funding limitations, in furtherance of hazard mitigation recommendations.

The Chief of FEMA's Mitigation Assistance Division and a Public Assistance Division engineer said that although limited Federal funds have been made available for immediate hazard mitigation measures, the State and local governments are generally expected to provide most funding to implement long-term, major mitigation measures because under the 1974 act, FEMA does not have the authority to fund major mitigation projects. These officials said that FEMA's primary role is to create an awareness of the importance of hazard mitigation and to coordinate, stimulate, and encourage comprehensive hazard identification, evaluation, and mitigation at all levels of State and local government. They stated that their primary purpose is to promote the concepts of hazard mitigation and provide a perspective of what should be done. They recognized that Federal funding for specific implementation of hazard mitigation measures will be limited.

Related to this issue, FEMA does grant limited financial assistance for hazard mitigation measures when such measures can be accomplished as part of the immediate disaster recovery work. This assistance is provided on the basis of individual damage survey reports and can amount to 15 percent of the damage survey report estimate. These funds are linked directly to and are a condition of obtaining Federal disaster assistance. For example, a road was washed out and a building foundation was partly exposed. As a result, FEMA allowed $25,370 for the project plus an additional 10 percent for hazard mitigation. The 10 percent was contingent on the applicant's paying for any additional mitigation work.

A FEMA audit report issued by an Assistant Regional Inspector General in October 1980 illustrates that performance of hazard mitigation measures by the States, as agreed to in a Federal/ State Disaster Assistance Agreement, is still a problem. The report recommended that FEMA and the State should emphasize this portion of the agreement and document measures taken or provide justification when measures are not taken. According to a FEMA Public Assistance Division official, the 1974 act does not give FEMA the power to require and/or enforce implementation of hazard mitigation opportunities under the Federal/State Disaster Assistance Agreement.

The Chief of FEMA's Mitigation Assistance Division said that over the next 2 years, FEMA plans to review the contents of States' postdisaster hazard mitigation plans. FEMA's objectives will be to encourage and assist States to plan better, to develop a uniform format for States to use in preparing their plans, and to design a procedure to evaluate the cost effectiveness of proposed hazard mitigation measures. A proposed hazard mitigation manual will be a key part of the FEMA effort. FEMA's goal is to obtain postdisaster hazard mitigation plans for all major disasters and design a plan that will assure maximum usefulness for the data submitted.

CONCLUSIONS

Hazard mitigation can substantially reduce the cost of Federal disaster relief and, more important, reduce the hardship and suffering inflicted on all sectors of society by major disasters. Hazard mitigation measures often are expensive. Therefore, because of the uncertainty and unresolved question about how the financial responsibility should be shared among the Federal, State, and local governments, the current prospects for implementing recommended hazard mitigation measures are limited even though many have potentially significant long-term benefits.

Hazard mitigation planning is essential to identify and recommend measures that will reduce disaster damages, but without extensive funding commitments the plans become mere administrative exercises. While we appreciate the factors leading to this dilemma, the potentially dire results of continuing to ignore the financial problems in implementing hazard mitigation measures require that all concerned parties work for practical solutions.

RECOMMENDATION TO THE DIRECTOR, FEMA

We recommend that the Director make the results of FEMA's cost-effectiveness analyses available to the Congress and to State and local government legislative bodies for their deliberation. These analyses should contain FEMA's recommendations for funding hazard mitigation projects.

AGENCY COMMENTS

The Director said that the results of FEMA's cost-effectiveness analyses will be used to educate State and local governments and that the Congress will be informed of the results of these efforts. He also said that Federal sharing of certain hazard mitigation costs may be desirable and that FEMA would support appropriate legislative changes. In this regard, FEMA intends to submit comments on the subject of hazard mitigation funding to the Senate Committee on Environment and Public Works. (See app. III.)

APPENDIX I

APPLICANTS CONTACTED AND AMOUNT OF APPROVED PUBLIC ASSISTANCE

State/subdivision	Approved public assistance	
Alabama:		
City of Mobile	$8,957,558	
Mobile County	6,114,133	
Baldwin County	2,215,068	
Gulf Shores	1,009,813	
Prichard	1,544,494	
Alabama State Docks	7,643,511	
Total		$27,484,577
Mississippi:		
Pascagoula	1,477,722	
Jackson County	4,773,434	
Moss Point	1,033,903	
Biloxi	1,303,448	
Harrison County	455,439	
Gulfport	738,036	
Long Beach	160,300	
Greene County	211,298	
Leakesville	38,096	
Total		10,191,676
California:		
City of Glendale	459,587	
Los Angeles County	499,560	
22d District Agricultural Association	142,072	
South East Regional Reclamation Authority	751,116	
Los Angeles City Department of Power	1,239,216	
Los Angeles City Department of Water	478,462	
Los Angeles City Department of Public Works	4,538,210	
Los Angeles County Flood Control District	24,404,465	
Riverside County	3,451,109	
Riverside County Flood Control District	2,508,019	
Ventura County	981,141	
Ventura County Flood Control District	7,142,632	
Total		46,595,589
Total of 27 applicants		$84,271,042

APPENDIX II

ORGANIZATIONS VISITED OR CONTACTED

ALABAMA

Organization	City
Alabama State Docks Department	Mobile
Alabama Civil Defense Department, Emergency Preparedness Office	Montgomery
Department of Examiners of Public Accounts	Montgomery
Alabama Insurance Services Office	Montgomery
Alabama State Insurance Fund	Montgomery
Alabama Office of State Planning and Federal Programs	Montgomery
Alabama Law Enforcement Planning Agency	Montgomery
Department of the Army, Mobile District, Corps of Engineers	Mobile
Federal Highway Administration	Montgomery
U.S. Department of Commerce, Economic Development Administration	Montgomery
U. S. Department of Agriculture, Agricultural Stabilization and Conservation Service	Montgomery
U. S. Department of Housing and Urban Development, Community Planning	Birmingham
Mobile County	Mobile
City of Mobile	Mobile
City of Prichard	Prichard
Town of Gulf Shores	Gulf Shores
Baldwin County	Bay Minette
Alabama Coastal Area Board	Daphne

APPENDIX II

ORGANIZATIONS VISITED OR CONTACTED

CALIFORNIA

Organization	City
Federal Emergency Management Agency, Region IX	San Francisco
Department of the Army, Los Angeles District, Corps of Engineers	Los Angeles
Federal Highway Administration	Sacramento
State of California, Federal Emergency Management Division, Office of Emergency Services	Sacramento
City of Glendale	Glendale
County of Los Angeles	Los Angeles
22d District Agricultural Association	DelMar
South East Regional Reclamation Authority	Orange County
Los Angeles City Department of Power	Los Angeles
Los Angeles City Department of Water	Los Angeles
Los Angeles City Department of Public Works	Los Angeles
Los Angeles County Flood Control District	Los Angeles County
County of Riverside	Riverside
Riverside County Flood Control and Water Conservation District	Riverside
County of Ventura	Ventura
Ventura Flood Control District	Ventura

GEORGIA

Federal Emergency Management Agency, Region IV	Atlanta
Regional Inspector General for Audit	Thomasville
Environmental Protection Agency	Atlanta

ORGANIZATIONS VISITED OR CONTACTED

MISSISSIPPI

Organization	City
Mississippi Emergency Management Agency	Jackson
Mississippi Insurance Commission	Jackson
Mississippi Commission of Budget and Accounting	Jackson
Mississippi Audit Office	Jackson
Mississippi State Port Authority	Gulfport
Mississippi Insurance Underwriting Association	Jackson
Mississippi Law Enforcement Assistance Association	Jackson
U. S. Department of Agriculture, Agricultural Stabilization and Conservation Service	Jackson
U. S. Department of Transportation, Federal Highway Administration	Jackson
U. S. Department of Housing and Urban Development, Community Development	Jackson
U.S. Department of Commerce, Economic Development Administration	Jackson
City of Pascagoula	Pascagoula
Jackson County	Pascagoula
City of Moss Point	Moss Point
Town of Leakesville	Leakesville
Greene County	Leakesville
City of Long Beach	Long Beach
Harrison County	Gulfport
City of Gulfport	Gulfport
Pascagoula Housing Authority	Pascagoula
Singing River Hospital	Pascagoula

APPENDIX II

ORGANIZATIONS VISITED OR CONTACTED

MISSISSIPPI (Cont.)

Organization	City
Singing River Electric Power Association	Pascagoula
Mississippi Bureau of Marine Resources	Gulfport
Southern Mississippi Planning and Development District	Gulfport
Gulf Coast Employment and Training Administration	Harrison County
Town of Pass Christian	Pass Christian
SOUTH CAROLINA	
South Carolina Emergency Preparedness Office	Columbia
TEXAS	
Department of Public Safety, Division of Disaster Emergency Services	Austin
Federal Emergency Management Agency, Region VI	Denton
State Board of Insurance	Austin
WASHINGTON, D.C.	
Federal Emergency Management Agency	Washington, D.C.
National Governors' Association	Washington, D.C.
Department of Education	Washington, D.C.
WISCONSIN	
Department of Administration, Division of Emergency Government	Madison

APPENDIX III

Federal Emergency Management Agency
Washington, D.C. 20472

MAY 5 1982

Mr. Henry Eschwege
Director
U.S. General Accounting Office
Community and Economic
Development Division
Washington, D.C. 20548

Dear Mr. Eschwege:

This is in response to your letter of March 25, 1982, requesting our review and comments on the draft GAO report entitled "Improved Administration of Federal Public Disaster Assistance Can Reduce Costs and Increase Effectiveness."

We are responding to your findings and recommendations in the attachment, which includes general comments on the draft report as well as suggested technical corrections.

Although we question the validity of some of the recommendations, we acknowledge that certain problems identified in the report do exist and we welcome your analyses and recommendations that will help us to improve program management. If we can be of further assistance as you develop the final report, please let us know.

Sincerely,

Louis O. Giuffrida
Director

Enclosures

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1

Comments on GAO Recommendations

RECOMMENDATION #1, Page 12

"We recommend that the Director, FEMA, not reimburse State and local governments for regular employees and owned equipment costs whenever they have the capability of providing such services for disaster recovery. These costs should instead be considered part of the State and local cost-sharing commitment."

COMMENT

The decision to reimburse State and local governments for regular employees and owned equipment costs in disaster recovery operations was based on experience that proved this procedure is less costly to the Federal Government and provided for equity to communities receiving assistance under PL 93-288. Also, it is better suited to the needs of the applicant. The applicant has a choice of doing the work eligible for reimbursement with its own forces or by contract. Experience has shown that the work contracted out by local government is usually more costly than work performed by the applicant's work force.

Under present FEMA policy and procedures, PL 93-288 grant assistance is supplementary and the grantee has the option of performing eligible work by contract or with its own forces. With 75/25 cost sharing there is an incentive for the grantee to perform the work as economically as possible to conserve its own resources. If the option of performing eligible work with its own forces is removed, many grantees probably will rely more on contracting for eligible work. Under such conditions, available state or local resources may not be committed while the eligible work is being done by contract. Many local governments prefer to do repairs and other restorative work with their own forces rather than rely upon contractors. The GAO position would not encourage such practice which is generally the most efficient and most economical in the public interest.

As an additional point, compliance with this GAO recommendation would apparently put FEMA in violation of OMB Circular A-87 (revised effective January 15, 1981). A-87 applies as follows:

[GAO NOTE: Some page references have been changed to agree with the final report.]

2

> "A. 3. Application. These principles will be applied by all Federal agencies in determining costs incurred by State, local, and federally recognized Indian tribal governments under Federal grants and cost reimbursement type contracts. . ."

The basic purpose of A-87 is, in part, as follows:

> "A. 1. . . .The principles are for the purpose of cost determination and are not intended to identify the circumstances or dictate the extent of Federal and State or local participation in the financing of a particular grant. They are designed to provide that federally-assisted programs bear their fair share of costs recognized under these principles, except where restricted or prohibited by law. No provision for profit or other increment above cost is intended."

The ". . .extent of Federal. . .participation in the financing of a particular grant. . . ." refers to whether there is a declaration and therefore whether any assistance is to be provided and to the cost-sharing requirements (typically 75-25%).

Among those costs to be reimbursed are direct costs which can be specifically identified with a particular cost objective. These are further defined as follows:

> "E. 2. Application. Typical direct costs chargeable to grant programs are:
> a. Compensation of employees for the time and efforts devoted specifically to the execution of grant programs.
> b. Cost of materials acquired, consumed, or expended specifically for the purpose of the grant.
> c. Equipment and other approved capital expenditures.
> d. Other items of expense incurred specifically to carry out the grant agreement."

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RECOMMENDATION #2, Page 13

"We recommend that the Congress amend PL 93-288 to require that, as a condition for receiving Federal public disaster assistance, State and local governments obtain and maintain appropriate hazard and flood insurance as is reasonably available, adequate, and necessary to protect against the loss of public buildings, facilities, and equipment."

COMMENT

The draft report recommends that Congress amend Section 314 of the Disaster Relief Act of 1974 in part to provide that:

> "(a) The President shall provide by regulation that no applicant receives assistance under sections 402 and 419 of this Act with respect to any properties which, at the time of the major disaster giving rise to the applicant's request for assistance, was not covered by reasonably available, adequate and necessary insurance (as determined pursuant to subsection (b) of this section) to protect against loss to such property."

The GAO proposal has merit. We recommend that the change be effective one year after enactment so that potential applicants can prepare for the change. The Subcommittee on Regional and Community Development of the Senate Committee on Environmental and Public Works conducted a hearing on S. 2250 on April 20, 1982. S. 2250, introduced by the Chairman of that Subcommittee on March 22, 1982, would make numerous amendments to the Disaster Relief Act of 1974. In his questions to both Lowell Dodge, representing GAO, and Lee Thomas, representing FEMA, Senator Murkowski expressed interest in exploring possible legislative changes relating to the insurance question addressed in this recommendation. To this end, the Senator invited FEMA to draft a proposed statutory change. We intend to address the issue and provide draft language to the Committee through OMB. We will forward the same information to GAO when it is completed.

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GAO RECOMMENDATION # 3(a), Page 26

"(a) Establish a task force with representatives from Federal, State, and local governments and interested outside organizations to minimize the problems associated with estimating eligible project costs."

COMMENT

We agree that an effort should be made to simplify the task as much as possible. We propose to establish a task force made up of one representative each from five Regions and one or two representatives from the National Office. The task force would meet to organize and begin putting ideas together after which the Regional members would go back and discuss the problem with State officials and some local representatives. The task force would then reconvene to discuss the suggestions gathered and recommend appropriate changes.

GAO Recommendation 3(b), Page 27

"(b) Revise its rules and regulations to implement the task force's suggestions for simplifying the estimating of eligible project costs."

COMMENT

Rules and regulations, as well as handbook guidance, would be revised as necessary to cover any changes approved by the Associate Director, State and Local Programs and Support, to the DSR process that result from the task force review. Changes in mandatory policies and procedures would require proposed rulemaking to change applicable regulations.

GAO Recommendation 3(c), Page 27

"(c) Develop an education and training program that will better prepare all participants associated with disaster response and recovery activities."

COMMENT

We acknowledge that better preparation of all participants associated with disaster response and recovery is desirable; however, we do not believe that it is possible to fully train all potential participants. It is our current practice to hold applicant and inspector briefings after a major disaster or

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emergency declaration has been made to assure that all current information related to disaster assistance is made available to inspectors and potential applicants in that specific incident. We constantly attempt to improve the education and training program. For example, the entire series of Inspectors' Briefings are currently being updated and it is expected that all of them will be available for use by the Regional Offices in May. The key to program improvement generally appears to be the availability of more experienced inspectors for the DSR process. In that regard, we may need to rely more heavily on consultants and reservists who can be trained, gain experience in actual disaster situations, and continue to be available for use in future disaster situations.

GAO Recommendation 3(d), Page 27

> "(d) Seek passage of its legislative proposal submitted to Congress which would simplify its funding of projects up to $25,000. If successful, FEMA should consider seeking authorization to increase the project funding ceiling."

COMMENT

FEMA has worked closely with Senate Committee staff, by providing technical assistance in drafting portions of Senate Bill 2250, introduced on March 22, 1982. The Bill contains language which would allow FEMA to implement its legislative proposal. Section 14 incorporates the essence of FEMA's proposal in a very simple way. Contributions for permanent restorative work would be limited to 75% of the net eligible costs or ". . .for small projects (75%) of the Federal estimate of the net eligible cost. . ." of repairs or restoration. The quoted portion permits FEMA to make a grant based on the estimate, rather than having to resort to inspections and audits to determine the actual costs of restoration. The change also permits FEMA to establish, by regulation, the ceiling amount for projects to which this expedited procedure may be applied. We anticipate that the ceiling would be established at $25,000 per project. The Section also, as we proposed, deletes any provision for expending the small project grants on anything but the restoring or replacing of the damaged or destroyed public facility on which the grant was based. Section 14(c) makes provision for the same project grant mechanism for debris removal assistance, and similar provisions are made for emergency work in a major disaster by Section 13. FEMA strongly supports these features of the Bill.

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Based on our review of recent grant experience, we have found that the $25,000 limitation would result in about 88% of all projects being approved as small project grants with only about 10% of total dollars approved for such grant assistance. This would permit FEMA to use its resources more effectively to manage the remaining 12% of all projects which account for about 90 percent of all grant assistance. However, FEMA must have accurate and dependable Damage Survey Reports upon which to base such grants. As suggested by GAO, we need to improve the quality of Damage Survey Reports before any further increases of this limitation above $25,000 should be considered.

RECOMMENDATION #4, Page 31

"We recommend that the Director, FEMA make the results of its benefit-cost analyses available to the Congress and to State and local government legislative bodies for their deliberation. This analysis should contain FEMA's recommendations for funding hazard mitigation projects."

COMMENT

The analysis that will be conducted by the Mitigation Assistance Division will be a review of the cost-effectiveness of various mitigation measures applied to disaster situations as they occur. This data will be used to educate State and local governments concerning means available for mitigation as well as the value in economic terms. We shall keep the Congress informed of the results of these efforts. The Subcommittee on Regional and Community Development of the Senate Committee on Environment and Public Works, conducted a hearing on S. 2250 on April 20, 1982. S. 2250, introduced by the Chairman of that Subcommittee on March 22, 1982, would make numerous amendments to the Disaster Relief Act of 1974. We intend to submit comments on the subject of hazard mitigation funding to the Committee. These comments may include draft language for additional statutory changes related to the subject. We will forward the same information to GAO when it is completed.

General Comments

Page i, Paragraph 1 - GAO unequivocally states that FEMA could reduce public disaster assistance costs. We do not believe that the facts presented by GAO substantiate this position. While it is possible that costs would be reduced in some instances, it is likely that costs would increase in others. We also question whether "a general feeling of dissatisfaction" exists, taking into consideration the thousands of such grants processed and the small number of appeals that we process.

[GAO COMMENT: We believe it is possible to reduce disaster assistance costs if the Agency carries out the recommendations in this report as discussed more fully on page 8 through 13. We found that considerable dissatisfaction with FEMA existed among State and local government officials. Furthermore, we do not believe that the number of appeals is an appropriate measure of the dissatisfactions expressed to us.]

Page ii, Paragraph 2 - While it is true that some part-time and temporary personnel are not as well versed in cost reimbursement criteria as permanent employees, it is incorrect and unfair to say they are "generally unfamiliar" with it.

[GAO COMMENT: We revised our statement to read that some of these personnel did not have sufficient knowledge of and experience with FEMA's requirements.]

Page 3, Paragraph 2 - The "Office of Disaster Response and Recovery" was reorganized during 1981 into the "Directorate of State and Local Programs and Support."

[GAO COMMENT: The 1981 reorganization is recognized and the new organizational names and titles are used.]

Page 3, Paragraph 3 - Temporary staff is not "reassigned" from other Federal agencies. Other Federal agencies are given mission assignments to perform certain work such as completion of Damage Survey Reports (DSRs). These agencies then provide their own inspectors (not FEMA inspectors) and field supervisors to make the necessary inspections and to prepare DSRs recommending to FEMA whether the proposed work is eligible or ineligible.

[GAO COMMENT: We revised the report to clarify this fact.]

Page 3, Paragraph 4 - The last sentence leaves the impression that an analysis and State audit is performed on all projects. In reality, 70% of all project applications are approved as small project grants under Section 419, PL 93-288, and do not normally require such review. Full payment is made on small project grants on the basis of the approved project application and requires only a certification by the applicant that the work has been completed and to return any unused grant funds.

[GAO COMMENT: Our statement is accurate. We are talking about reimbursements, not projects. While 70 percent of project grants may not require the review we describe, the remaining projects represent about 90 percent of the amounts reimbursed by FEMA and they are subject to the review we describe.]

Page 5, Paragraph 5 - We question the validity of the "non-scientific selection" of 27 applicants for review. In the three-year period covered (FY 1979 through FY 1981) more than 7,300 project applications were approved. Thus, the sample was less than 0.4 of one percent of the total number of applicants for which assistance was approved.

[GAO COMMENT: We selected a wide variety of applicants involved in three distinctly separate disasters which caused a broad range of damage and resulted in a significant amount of reimbursements. The three disasters accounted for almost 40 percent of the Federal public disaster assistance funds in fiscal years 1979 through 1981, and the selected applicants received about 12 percent of those funds. Under these circumstances, we believe that our selection and results have substantial validity.]

Page 6, Paragraph 1 - The four states were affected by "four" major disasters, not "three."

[GAO COMMENT: The four States were affected by three disasters; however, FEMA counts each State declaration as a separate disaster.]

Page 6, Paragraph 3 - We note that South Carolina has not had a declaration of an emergency or a major disaster under Public Law 93-288.

[GAO COMMENT: FEMA is correct. However, South Carolina has been damaged by weather-related incidents, and we visited the State to obtain emergency officials' views regarding Federal disaster assistance.]

Page 7, Paragraphs 1 & 2 - There seems to be some question whether the State or local governments actually have the capability of providing for themselves. In most cases, the capability of an applicant to cope with a disaster lies in its financial capability. We do not believe GAO has adequately demonstrated that the State and local governments would have been able to use their own resources to alleviate the hardship and suffering caused by the disaster if payment had not been made for salaries of regular employees and use of applicant-owned equipment directly engaged in such work. It is possible to defer regularly budgeted work to complete disaster-related projects, but in most instances the financial obligations to complete the deferred projects remain.

[GAO COMMENT: We do not agree. We discussed this situation with the local government officials who knew their financial capability and said they did not need Federal reimbursement. We recognize that regularly budgeted work may have to be deferred and that the financial obligation to complete some deferred projects remains. Deferring projects does not necessarily create an undue financial burden or additional hardship. It is FEMA's responsibility to assess the capability of State and local governments and provide only supplemental assistance.]

Page 7, Paragraph 3 - The suggestion that "Such obligations could be applied toward the 25% of eligible costs which State and local governments are now required by FEMA to provide (referred to. . .as the 'cost-sharing requirement'. . .)" is contradictory. If the costs are eligible, then they should be paid by FEMA. If they are ineligible, then they cannot be considered as part of the applicant's cost-sharing contribution. If those costs were considered part of the applicant's cost-sharing contribution, FEMA would be paying for the regular time just the same as they would be if they reimbursed the applicant under existing policy except that the amount paid would be limited to 25% of total eligible work.

[GAO COMMENT: FEMA contends that if costs are eligible, then they should be paid by FEMA. Yet, under FEMA's present 75/25-percent cost-sharing arrangement, State and local government do not now pay for 25 percent of eligible costs. Eligibility or ineligibility of costs is not the issue. We have not suggested that in-house personel and equipment costs are not eligible costs, only that they be considered toward the 25-percent contribution. Under our proposal, State and local governments would contribute the difference between their in-house personnel and equipment costs and their 25-percent share. If in-house personnel and equipment costs exceeded the 25-percent share, then FEMA would pay less than 75 percent.]

Page 8, Paragraph 1 - We agree that the cost of regular employees and a portion of the cost of owned equipment would have been paid or incurred regardless of whether or not there had been a disaster. However, if there had been no disaster, the available funds and resources would have been utilized on regularly budgeted projects. Even though a disaster occurs, at least a portion of the regularly budgeted projects are essential and must be completed. Thus, if FEMA refuses to pay for regular time and applicant-owned equipment, funds would have to be borrowed to complete the essential work. Such borrowing may be beyond the capability of some local governments, particularly when confronted with unforeseen emergencies or major disasters.

[GAO COMMENT: See our preceding comments under "Page 7 Paragraph 1 and 2" regarding performance or deferral of regularly budgeted work. If regularly budgeted projects are essential and must be completed, then the State and local governments would not have the financial capability to provide personnel and equipment for disaster-related projects, and Federal funds should be provided for 75 percent of net eligible costs. In addition, section 13 of Senate bill 2250, which FEMA supports, proposes that the President be authorized to lend or advance to a State its 25-percent share in any case where it is unable to assume responsibility for its share.]

Page 8, Paragraph 3 - The report refers to three applicants who allegedly stated that ". . .there was no real basis for reimbursement of regular employees' salaries. . . ." We question whether this represents the official position of the applicant. FEMA's Office of Inspector General contacted the three applicants' authorized representatives to determine whether they agreed with the statements. The authorized representatives referred the inquirer to other officials. In all three cases the officials contacted did not agree with this statement. The report should contain the official position of the local government.

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[GAO COMMENT: FEMA obtained its comments recently from officials to whom it was referred and not from the authorized representatives. Our comments were also obtained from responsible officials to whom we were referred by the authorized representatives. The officials we talked to and those officials FEMA talked to were not the same officials, possibily because of the time frame between these contacts and a change in these officials' positions. The officials we contacted were closely associated with the actual day-to-day processes of the disaster experience and were well aware of what their government entity could or could not do financially at the time. We believe our report contains the official position of the local government applicants.)

Page 9, Paragraph 4 - "Office of Disaster Response and Recovery" was reorganized during 1981 into the "Directorate of State and Local Programs and Support."

[GAO COMMENT: Report revised.]

Page 10, Paragraph 3 - This paragraph leaves the impression that all of the damaged buildings were valued at less than $75,000. This is very misleading. Some of the buildings were valued at less than $75,000, while others exceeded $75,000 by a significant amount. The city's policy should have paid in those cases where building damage exceeded $75,000. City officials were also made aware of the fact that we would require additional insurance as a condition for approving assistance.

[GAO COMMENT: Report revised to reflect more clearly the fact that FEMA paid over $1 million for buildings valued under $75,000. It is standard policy for FEMA to require prospective insurance to cover the cost of assistance provided.]

Page 11, Paragraph 1 - We were unaware of the legislative requirement that buildings owned by the State of Mississippi be insured. Under the circumstances, we will review the situation and determine what our legal position is and whether FEMA should withdraw the approved reimbursement. We found no violation of existing laws or FEMA regulations in the three examples cited.

[GAO COMMENT: No comment necessary.]

First Conclusion, Page 11 - We do not agree that a State or local government should be denied disaster assistance on the basis that each "should be capable of providing for themselves. . . ." If the capability is lacking and Federal assistance is eligible under the Act, FEMA should provide it. We also disagree with the statement, ". . .costs which they would or should have incurred regardless of a disaster." Presumably the GAO investigator concluded that if the disaster-related costs were not incurred, the available funding would have been spent on other than disaster-related costs. We agree but contend that using those funds for disaster work deprived the grantee from performing such other work unless FEMA funding were provided.

[GAO COMMENT: See our preceding comments under "Page 7, Paragraphs 1 and 2" and "Page 8, Paragraph 1."]

Second Conclusion, Page 12 - Refer to the preceding comment and to previous comment for paragraph 3, page 7.

Third Conclusion, Page 12 - A change in Public Law 93-288 would be necessary to support this conclusion that State and local governments should carry available, adequate and necessary insurance, or be considered self-insurers. It should be noted that the numbers and types of insurable structures or properties is very small when compared to those which receive PL 93-288 assistance. Many other types are not now insurable. Refer also to our comments on Recommendation #2.

[GAO COMMENT: We recognize that many types of structures are not now insurable. However, the National Flood Insurance Act of 1968 could be amended to provide flood insurance for engineered structures such as wastewater treatment facilities, bridges, and the like.]

Page 16, Paragraphs 1-4 - It is not correct to state that FEMA relies on staff "unfamiliar" with FEMA's cost reimbursement criteria. While some personnel are not as familiar with the cost reimbursement criteria as others, the staff is not "unfamiliar" with the criteria. We acknowledge that there were problems associated with debris removal in Alabama and Mississippi. However, new guidelines for debris removal have been published in 44 CFR 205 and in applicable FEMA handbooks which we believe will avoid most of the problems encountered in any future major disasters or emergencies.

[GAO COMMENT: We revised the report to state that these personnel did lack detailed knowledge of and experience with FEMA requirements. Being "unfamiliar" is just a characterization of these conditions.]

Page 17, para. 5; p. 18, para. 1 - The Regional Director is required to follow the guidance in the handbook on minimum approvals of Damage Survey Reports (DSR), or must have sound rationale for any deviations. It is feasible in some cases to combine like work at more than one site in order to exceed the minimum approvable quantity.

[GAO COMMENT: FEMA guidelines established a minimum of $100 for each damage survey report at the time of our review, but regional directors could deviate from this criterion if they had a sound rationale for doing so. Thus, $250 was the minimum in Mississippi, $200 in Alabama, and $100 in Wisconsin and California. In spite of these minimums, damage survey reports of less than $100 were routinely processed and not combined as like work at more than one site in order to exceed the minimum approval quantity. In practice, therefore, the region did not even follow its own criteria. FEMA guidelines have been revised to establish a $250 minimum.]

Page 17, Paragraph 4 - Debris removal services will be different from one location to the next because conditions are sometimes vastly different between disasters, in various geographical areas, and under applicable state laws or local ordinances. While we follow similar criteria, we know of no way to totally reduce the decision on what constitutes a health or safety hazard to a formula. Judgment is required and the Regional Director has been delegated the authority to make those decisions.

[GAO COMMENT: We have revised our report because of FEMA's more stringent guidelines for removing debris from private property.]

Page 17, Paragraph 5 - The statement that "in Alabama, there was apparently no minimum value (for damage survey reports) since damage survey reports for less than $100 were routinely processed" is incorrect. A $200 per site limit was in force on FEMA-598-DR. All inspectors and applicants were advised of this policy. Exceptions were granted in those cases where other DSRs had been prepared for the same site and where a final insurance settlement was still pending.

[GAO COMMENT: We have revised our report to recognize the $200 "per site" limit in Alabama, even though FEMA's criterion pertains to disaster survey reports and not a "site." Also see our comments under "Page 17, last two paragraphs."]

Page 18, Paragraph 2 - The actual policy in Mobile, Alabama, was to require the purchase of other insurance only when the insurable damage exceeded minimum policy amounts. Local insurance agents indicated this would be approximately $600 for other insurance. This threshold was used for flood insurance as well.

[GAO COMMENT: The report has been revised to show that FEMA made an informed decision to not follow its own $200 minimum guideline and then ignored the minimum guideline of $600 established for this location.]

Page 18, Paragraph 2 - We were unable to identify these insurance examples and therefore offer no comment.

[GAO COMMENT: At any time during the comment period FEMA could have requested us to identify the examples. It requested identification for other examples and we complied.]

Page 18, Paragraph 2 - The $44,000 referred to in this paragraph was not approved to cover administrative duties. No audit has yet been made on the Moss Point claim. If the $44,000 was spent on administrative functions rather than eligible engineering work, it will not be reimbursed.

[GAO COMMENT: We will follow up on FEMA's resolution of the matter.]

Page 18, Paragraph 3 - The report states that "inconsistencies in cost eligibility and procedural interpretations can "often" be expected." There have been cases where inconsistencies have occurred; but, considering the number of inconsistencies in relation to the 54,000 DSRs prepared in the last 4 1/2 years, we question the view that such inconsistencies can "often be expected." Since these workloads may occur in unforeseen locations and intensity, we have no choice but to use some personnel temporarily assigned to such work. Through emphasis on supervision of their work and review of complete work, we strive to maintain highest possible standards. The "Office of Disaster Response and Recovery" is now the "Directorate of State and Local Programs and Support."

[GAO COMMENT: We revised the report to delete the word "often" and to reflect the organizational titles.]

Page 19, first Paragraph - The report states that 24 of 27 applicants expressed "some" dissatisfaction with FEMA's administration of public disaster assistance. "Some" is not a very descriptive word. If it means that applicants are not always in complete agreement with all FEMA decisions and are therefore dissatisfied, there may not be a real problem. However, if they are dissatisfied with specific actions taken by FEMA, we would like to know what the actions were so that corrections can be made where warranted. It should be noted that our appeals system is very easy to initiate if an applicant feels he is being unfairly treated. Very few appeals are received considering the number of project applications that are approved each year. The relatively small number of appeals received in the National Office would indicate that there is general satisfaction with actions taken by FEMA.

[GAO COMMENT: We deleted the word "some" from the report. However, we believe that the examples provided adequately describe the general dissatisfaction of State and local government officials. Furthermore, we do not believe that the number of appeals is an accurate measure of applicant dissatisfaction.]

Page 19, Paragraph 2 - We assume that the writers meant to refer to half of the local applicants and State disaster officials "which they interviewed." The way the sentence is presently written it refers to half of the 180 applicants in the two disasters. This inference does not appear justified.

[GAO COMMENT: FEMA is correct and we have revised our report accordingly.]

Page 19, Paragraph 3 - We do not understand this paragraph. Federal inspectors working on the public assistance program have no connection with a "Disaster Assistance Center" which is used under the individual assistance program.

[GAO COMMENT: We have corrected our reference from "inspectors" to a "representative." This paragraph is an example of the lack of understanding and communication when verbal instructions are not put in writing. It has nothing to do with the fact that a disaster assistance center is used for the individual assistance program. A disaster assistance center was set up in a local government facility and local government officials were told by a FEMA representative that they would be reimbursed for their costs.]

Page 19, Paragraph 4 - There was significant controversy over the Jackson County debris removal program. However, in the review of the Jackson County appeal we believe that we adequately responded to all allegations raised by Jackson County. Jackson County had been given written guidelines outlining the rates which FEMA would accept. The on-site inspector and FEMA personnel denied giving the alleged verbal instructions. The rate schedule attached to the initial damage survey report was very ambiguous and did not clearly refer to a cost of $20 per limb. In this case there is no substantive proof that Jackson County officials were given incorrect verbal directions. It is noted that no other applicants had any problems regarding FEMA guidelines for debris removal.

[GAO COMMENT: We revised this paragraph to indicate that there was no substantive proof, in FEMA's opinion, that Jackson County officials were given incorrect verbal instruction. However, we still believe that this is a good example of the dissatisfaction that exists among FEMA applicants.]

Page 20, First Paragraph - The conclusion in the last sentence has no basis in fact or actual experience. We do not agree that it is valid.

[GAO COMMENT: We agree and have deleted this paragraph.]

Page 20, Third Paragraph - Verbal instructions, whenever issued, can pose problems when not confirmed promptly in writing. Our experience has been that in many cases there is no proof that any verbal instructions were issued. Any grantee who relies upon such instructions should be able to identify who made them and should follow-up to get written confirmation.

(GAO COMMENT: We agree with FEMA's comments. However, this does not relieve FEMA from the responsibility of directing its inspectors not to make verbal decisions for which they have no authority. We believe FEMA should instruct its inspectors to make all commitments in writing to avoid misunderstandings.]

Page 20, Last Paragraph - We question the use of words such as "frequently" and "often" when the record indicates that the problems referred to actually occur in a very small percentage of cases. In Region IX, inspectors are instructed to report on a DSR any items of work claimed by the applicant regardless of eligibility. The apparently ineligible portions of that DSR are to be recommended as ineligible, and the cost of that ineligible work is also to be reported. The purpose of this requirement is to eliminate the need for a re-inspection at a later date in the event the applicant appeals the FEMA ineligibility decision. Therefore, the necessary information is generally identified on the DSR, thereby eliminating additional inspection costs.

[GAO COMMENT: We have revised our statement. If regional inspectors are instructed to report all work claimed regardless of eligibility, it would seem appropriate that they also clearly advise the applicants of this fact.]

Page 21, Paragraph 1 - Grantees are cautioned at applicants' briefings and on the reverse side of each Damage Survey Report about grant approvals. We do not believe there is any confusion at state level and that very few applicants do not fully understand this. We welcome suggestions on what further could be done.

[GAO COMMENT: Apparently this information does not come across very clearly to the applicants since their perceptions are quite different regarding the amount of funds they will receive. The damage survey report (DSR) form could be revised to show more clearly that the data is estimated and involves no eligibility determinations until cleared by the FEMA region. We would also suggest that the appropriate cautionary statements on the reverse side of the form be prominently displayed on the front.]

Page 21, Paragraph 2 - Region IX has maintained a continuous training program for the L.A. District COE. In the disasters of 1978 and 1980, FEMA requested the services of large numbers of trained COE inspectors with engineering backgrounds. FEMA received some untrained and inexperienced COE personnel. Riverside County apparently failed to inform GAO of the real reason for the actions taken by FEMA with regard to this matter. The actual problem was that when the Federal/State inspectors arrived at Riverside County, the County had already prepared its own DSRs and expected the Federal/State team to sign off on them without visiting the damage sites. The County simply ran complete computer printouts of the damages and based its request on the computer printout costs.

[GAO COMMENT: We obtained this information from the Corps of Engineers, not Riverside officials. The Corps of Engineers official stated, "Corps inspectors went out and came up with DSRs which to them appeared eligible. However, after sending them through FEMA, it was found out later that the amounts were ineligible."]

Page 21, Paragraph 3 - The correct title of the regional staff member referred to is Chief, Disaster Assistance Programs Division.

Page 21, Paragraph 4 - "Office of Disaster Response and Recovery" is incorrect. The correct designation is "Directorate of State and Local Programs and Support."

[GAO COMMENT: Titles revised in report to reflect new organizational structure.]

Page 22, Paragraph 2 - FEMA does not require documentation to the extent described in this paragraph and did not require it in this case. It is not clear whether County officials merely gave FEMA the volume of documentation referred to or whether they felt that FEMA required it.

[GAO COMMENT: We cited three different examples regarding the extent of documentation required to support damage survey reports. It appears FEMA is referring to our Los Angeles example. If FEMA did not require this documentation, it was not clear to Los Angeles officials. We believe it is incumbent upon FEMA to keep paperwork at a minimum and specifically, in cases such as this, to advise applicants that documentation submitted is excessive and unnecessary.]

Page 22, Paragraph 3 - "Director, Disaster Response and Recovery" should read "Chief, Disaster Assistance Programs Division." We believe that the statement "paperwork was very burdensome" was taken out of context. The last sentence should be attributed to the Deputy Regional Director, Region IX, and does not reflect an official FEMA position on this point.

[GAO COMMENT: We revised the report to reflect proper titles and attribution of these comments. The statement that "paperwork was very burdensome" was not taken out of context. Actually, the statement made to us was much stronger. The Deputy Regional Director was functioning in the capacity of Acting Regional Director and the top FEMA official responsible for many of the decisions regarding public disaster assistance. While his views may not reflect the official FEMA position on this point, they made a great deal of sense to us.]

Page 22, Paragraph 4 - We are also concerned over the amount of paperwork involved. We expect that the proposal stated in GAO Recommendation 3(d), Page 27, would greatly alleviate this problem.

Page 22, Paragraphs 5 and 6 - Page 23, Paragraph 2 - Local officials are encouraged to participate actively in the DSR process rather than have it entirely a Federal effort. In fact, a competent local engineer will often be the predominant influence in the outcome of the DSR. This is appropriate. He should be the most knowledgeable person regarding his own facilities. The Federal and State inspector would then be in the role of evaluating the local engineer's proposals. However, since Federal funds cover 75 percent of eligible costs, a Federal employee should take the FEMA funding

recommendation. Local and State officials are encouraged to submit differing opinions with the DSR. This is seldom done. There is an implication that inspectors make decisions, which are later overturned by office personnel. The inspectors make recommendations only. We try to make this clear to the applicants in our applicants' briefings and whenever we meet with them. We also emphasize this at our inspector training sessions. Part of the problem may be the emphasis the applicant places upon the estimated cost shown on the DSR. Some applicants tend to look at it as a firm estimate regardless of our efforts.

[GAO COMMENT: See our previous comments under "Page 21, Paragraph 1."]

Page 23, Paragraph 1 - This was a case where the inspectors failed to drive the immediate area to actually view the alternate routes. Instead they consulted a County map which specifically identified two stream crossings in the immediate area. The inspectors were in error for not driving the area to verify the crossing identified on the County map. However, Federal inspectors do not declare projects ineligible. In this case a recommendation was made, the County evidently submitted information justifying its position, and the project was approved. This appears to be a case where the system set up by FEMA worked properly.

Page 23, Paragraph 1 - When an applicant is unable to provide information relative to pre-disaster deposition, prior rainfall records going back to the previous basin cleanout are reviewed. The determination of pre-disaster accumulated debris is arrived at by considering the rainfall records and the watershed in conjunction with projections of the debris production rate. The last sentence leaves the impression that FEMA picked some figures out of the sky without any basis for those figures. That is not the case and such determinations are necessary to establish how much debris removal is disaster-related and therefore eligible for FEMA funding.

[GAO COMMENT: The use of prior rainfall records and other data to determine predisaster deposition is a reasonable approach to this problem. However, it was not clear if the procedure was followed in this instance. The documentation on file states,

"This basin was last cleaned in the summer 1978. The rains after the last cleanout must have generated a significant amount of debris as the rains during December 1978-April 1979 were quite heavy. Accordingly, we have assumed that at least 25% of the debris must have been deposited before Jan. 8, 1980 * * *."
(Underscoring supplied.)]

Page 23, Paragraph 1 - The Pascagoula officials obviously made no serious efforts to obtain an Eligibility Handbook. They are readily available to anyone who requests them and has a need for one.

[GAO COMMENT: Any effort to get an eligibility handbook from FEMA is serious. FEMA should provide the handbook to all disaster applicants.]

Page 23, Paragraph 2 - The applicant has full responsibility for administering the financial assistance received from FEMA. In fact, funds approved under Sections 402(f) and 419 can be used for construction of certain new facilities other than approved eligible work. Very few applicants elect to take the grant under Section 402(f) even though that option is available.

Page 24, First Two Paragraphs - Refer to GAO Recommendation 3(d), page 27. Such changes would largely alleviate this problem..

Page 24, Last Two Paragraphs; Page 25, Paragraphs 1 and 2 - We agree that the system for providing disaster assistance needs to be as simple as possible; however, the lump sum approach recommended in the report appears to be unworkable. What is the basis for developing the lump sum estimate? It is highly unlikely that agreement could be reached on a total cost figure for a disaster unless such a basis is developed. It is not possible to fly over or drive through a disaster area and come up with anything other than an order of magnitude cost figure. Such a figure does not appear to be a good basis for expending Federal funds. As noted above, the applicants already have an option under Section 402(f) wherein they can make most decisions on how the public assistance dollars are to be spent, but very few select that option. The study by the Advisory Commission on Intergovernmental Relations was in no way related to disaster assistance; therefore, we question the validity of using their findings to justify a proposed change in the public assistance program. When major disasters occur frequently in the same areas, it would be very difficult to arrive at such lump sum.

Page 26, Conclusions - Refer to our comments on Recommendation 3 a, b, c, and d.

Page 28, Paragraph 3 - Suggest the first sentence be changed to read as follows: "Under the Disaster Relief Act of 1974, each State received grants up to $250,000 for preparedness activities including the preparation of disaster preparedness plans for mitigation, warning, emergency operations, rehabilitation, and recovery."

[GAO COMMENT: We revised the report to reflect FEMA's comments.]

Page 29, Paragraph 1 - Under Section 201 guidelines were provided for the contents of the plan and a check list for plan preparation contained questions about hazard mitigation. Section 201 required that the grant be applied for within one year of the law's enactment, but did not specify any deadlines for submission of the plan. At that time hazard mitigation was not being emphasized and all aspects of planning were receiving attention.

Page 29, Last Paragraph - On the issue of funding of plan recommendations, Section 406 does not legally give funding authority to carry out mitigation measures. However, some mitigation may be achieved through the prescribing or approving additional standards for the reconstruction of eligible facilities. Other recommendations of the 406 plan such as warning and evacuation planning are appropriate activities to be carried out under the annual improvement grant under Section 201; as is the writing of the Section 406 plan itself. Another potential source of funding is the State Assistance Program which is designed to improve a State's floodplain management expertise and capabilities. These funds could not be used to implement recommendations involving construction, but activities such as development of model legislation could be funded. Also this program would be restricted to flooding disasters.

Page 30, Paragraphs 4 and 5 - It is unclear who the "Chief, Management Development Branch" is. It is believed that the writer really means "Chief, Mitigation Assistance Division." Apparently he was speaking of his division's role rather than FEMA-wide activities involving hazard mitigation. Further this paragraph confuses the interagency team effort with the Section 406 effort under the 1974 Disaster Relief Act. The interagency teams were formed as the result of OMB Guidance and are not funded under PL 93-288. They have as one of their objectives to package existing federal programs to accomplish mitigation team recommendations.

[GAO COMMENT: We revised the report to include new title of the official.]

Page 30, Paragraph 5 - The example of hazard mitigation referred to is not an illustration of current policy. It infers that extra funds are granted for unspecified mitigation measures and that FEMA will share the cost of such measures. Neither of these features is true now. If a complete, feasible mitigation measure can be funded as disaster proofing within the 15% limitation, the Regional Director can approve the extra funds.

Page 31, Paragraph 2 - The terminology "costs and benefits" should be replaced with "cost effectiveness." It should be noted that the Mitigation Assistance Division is new under the current FEMA realignment and clearly shows the relative importance of mitigation in the new organization.

[GAO COMMENT: We revised the report as suggested by FEMA.]

Page 31, Conclusions - We agree that Federal cost sharing of certain hazard mitigation costs is desirable and would support appropriate legislative changes.

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